

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities offered hereby have not been, and will not be, registered under the United States Securities Act of 1933, as amended ("U.S. Securities Act"), or the securities laws of any state in the United States and may not be offered or sold directly or indirectly within the United States or to or for the account of U.S. persons, except in certain transactions exempt from the registration requirements of the U.S. Securities Act.*

New Issue

April 9, 2001

# FAIRVIEW CAPITAL CORP.

**\$1,500,000**  
**3,750,000 Units**

Fairview Capital Corp. ("Fairview" or the "Corporation") is hereby offering ("Offering") for sale 3,750,000 units of the Corporation ("Units") at a price of \$0.40 per Unit to purchasers resident in the provinces of Alberta, Saskatchewan and Manitoba (the "Selling Provinces"). Each Unit is comprised of one common share ("Common Share") in the capital of the Corporation and one-half of a common share purchase warrant ("Purchase Warrant"). Each whole Purchase Warrant entitles the holder thereof to acquire one Common Share upon payment of the exercise price of \$0.80 at any time prior to 4:00 p.m. (Calgary time) on the date that is the earlier of (i) 24 months from the date of Closing of the Offering; and (ii) 15 days from the date the Corporation issues a notice that the closing price or closing bid price of the Common Shares on the Canadian Venture Exchange Inc. ("CDNX"), or any Canadian stock exchange on which they are then listed, is above \$1.20 for ten consecutive trading days (the "Warrant Expiry Time"). Any Purchase Warrants not exercised prior to the Warrant Expiry Time will terminate as of such time and will be of no further force or effect.

	Price <sup>(1)</sup>	Agent's Fee <sup>(2)</sup>	Net Proceeds to the Corporation <sup>(3)</sup>
Per Unit	\$0.40	\$0.04	\$0.36
Total Offering	\$1,500,000	\$150,000	\$1,350,000

**Notes:**

- (1) The offering price of the Units and the allocation of the offering price between the Common Shares and the Purchase Warrants was established by negotiation between the Corporation and Bieber Securities Inc. (the "Agent").
- (2) The Agent will be paid a fee equal to 10% of the gross proceeds from the sale of Units under the Offering. The Corporation will also grant the Agent up to 375,000 Common Share purchase warrants (the "Agent's A Warrants") and up to 187,500 Common Share purchase warrants (the "Agent's B Warrants"). (The Agent's A Warrants and the Agent's B Warrants are collectively the "Agent's Warrants"). Each Agent's A Warrant will entitle the holder thereof to purchase one Common Share at a price of \$0.40 at any time prior to the Warrant Expiry Time. Each Agent's B Warrant will entitle the holder thereof to purchase one Common Share at a price of \$0.80 at any time prior to the Warrant Expiry Time. In addition, in consideration for sponsoring the Corporation on the CDNX, the Corporation has agreed to pay the Agent \$10,000 and to issue the Agent an additional 150,000 Common Share purchase warrants (the "Sponsor's Warrants"). Each Sponsor's Warrant will entitle the holder thereof to purchase one Common Share at a price of \$0.40 at any time prior to the Warrant Expiry Time. The distribution of the Agent's Warrants and Sponsor's Warrants are also qualified under this prospectus.
- (3) Before deducting of the sponsorship fee of \$10,000 and the expenses associated with the Offering which are estimated at \$50,000.

All subscription funds received by the Corporation in respect of the sale of the Units ("Subscription Funds") will be held by Olympia Trust Company (the "Trustee") pursuant to a custodian agreement (the "Custodian Agreement") between the Corporation, the Trustee and the Agent. The Subscription Funds will be held by the Trustee and invested in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments) until the completion of the Corporation's proposed acquisition



(the "Proposed Eagle Acquisition") of all of the outstanding securities of Bald Eagle Golf Company, LLC ("Bald Eagle"). In the event that the Proposed Eagle Acquisition is not completed on or before April 30, 2001 or, for any reason, the Proposed Eagle Acquisition is terminated prior to such date, the Corporation will issue a press release and all Subscription Funds will be refunded without interest, deduction or penalty.

**An investment in the Units should be considered highly speculative due to the nature of the Corporation's business and its early stage of development. The Units are suitable only for investors who are able to accept the risks inherent in the Corporation's business and inherent in the business of Bald Eagle. In addition, there are a number of other risk factors that should be considered by persons proposing to make an investment in the Units. Subscribers should consult their own professional advisors to assess the income tax, legal and other aspects of the investment. See "Risk Factors".**

The outstanding Common Shares of the Corporation are listed for trading on the CDNX under the trading symbol "FA.K". On April 5, 2001, the last day upon which the Common Shares traded prior to the date hereof, the closing price of the Common Shares on the CDNX (as reported by such exchange) was \$0.32. See "Trading History of Common Shares".

The Agent conditionally offers for sale the Units on a best efforts basis subject to prior sale, if, as and when issued by the Corporation in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution", and subject to the approval of certain legal matters by Bennett Jones LLP, Calgary, Alberta on behalf of the Corporation and by Taylor McCaffrey, Winnipeg, Manitoba on behalf of the Agent. This prospectus also qualifies the distribution of all of the Common Shares issuable upon the exercise of the Warrants.

The Corporation believes it is reasonable to allocate substantially all of the offering price of \$0.40 per Unit to the Common Share and a nominal amount of the offering price per Unit to the Purchase Warrant. Based on this allocation, the price per Common Share exceeds the adjusted net tangible book value thereof as at December 31, 2000, by \$0.318, representing a dilution of 79.5% after giving effect to the Proposed Eagle Acquisition. See "Dilution".

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the Offering will be completed on or about April 26, 2001, or such later date as may be agreed upon by the Agent and the Corporation. Certificates representing the Common Shares and Purchase Warrants will be available for delivery following closing.

**Bieber Securities Inc.**  
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## GLOSSARY

*In this prospectus, unless the context otherwise requires, capitalized words and phrases shall have the meaning set forth below:*

**"Acquisition Agreement"** means the agreement dated November 23, 2000 between the Corporation, Bald Eagle and the Bald Eagle shareholders;

**"Acquisition Warrant"** means each common share purchase warrant to be issued to holders of Bald Eagle Securities pursuant to the Acquisition Agreement, entitling the holder thereof to acquire one Common Share at a price of \$0.80 at any time prior to the date which is 24 months from the closing of the Proposed Eagle Acquisition;

**"Agency Agreement"** means the agency agreement dated November 28, 2000, as amended, between the Corporation and the Agent;

**"Agent"** means Bieber Securities Inc.;

**"Agent's A Warrant"** means each common share purchase warrant to be issued to the Agent pursuant to the Agency Agreement entitling the holder thereof to acquire one Common Share at a price of \$0.40 at any time prior to the Warrant Expiry Time;

**"Agent's B Warrant"** means each common share purchase warrant to be issued to the Agent pursuant to the Agency Agreement entitling the holder thereof to acquire one Common Share at a price of \$0.80 at any time prior to the Warrant Expiry Time;

**"Agent's Warrants"** means collectively the Agent's A Warrants and the Agent's B Warrants;

**"Alberta Act"** means the *Securities Act* (Alberta), S.A. 1981, c. S-6.1 as amended from time to time;

**"associate"** and **"affiliate"** each have the meaning ascribed thereto by the Alberta Act;

**"Bald Eagle"** means Bald Eagle Golf Company, LLC, a limited liability corporation incorporated pursuant to the laws of Colorado;

**"CDNX"** means the Canadian Venture Exchange Inc.;

**"Closing"** means closing of the issue and sale of the Units pursuant to this Offering;

**"Closing Date"** means April 26, 2001 or such other date agreed upon by the Corporation and the Agent;

**"Common Share"** means a Class "A" voting common share in the capital of the Corporation as presently constituted;

**"Control Person"** means any person or Corporation that holds or is one of a combination of persons or companies that holds: (a) a sufficient number of securities of an issuer so as to materially affect control of the issuer; or (b) more than 20% of the outstanding voting securities of the issuer except where there is evidence showing that the holdings of those securities does not affect materially the control of the issuer;

**"Corporation"** means Fairview Capital Corp., a corporation incorporated under the laws of Manitoba;



**"Custodian Agreement"** means the custodian agreement to be entered into among the Corporation, the Agent and the Trustee pursuant to which the Subscription Funds will be held by the Trustee until the completion of the Closing;

**"Eagle Options"** means the outstanding options of Bald Eagle to purchase Eagle Shares;

**"Eagle Securities"** means collectively the Eagle Shares, the Eagle Warrants and the Eagle Options;

**"Eagle Shares"** means the membership shares in Bald Eagle;

**"Eagle Warrants"** means the outstanding membership share purchase warrants of Bald Eagle entitling the holders thereof to purchase Eagle Shares;

**"Finder's Fee Warrant"** means each common share purchase warrant to be issued in accordance with the terms of the Acquisition Agreement entitling the holder thereof to acquire one Common Share at a price of \$0.20 at any time prior to the date which is 24 months from the closing of the Proposed Eagle Acquisition;

**"Indenture"** means the warrant indenture between the Corporation and the Trustee governing the terms of the Agent's Warrants, Purchase Warrants and Sponsor's Warrants;

**"Major Transaction"** has the meaning set forth under "Business of the Corporation";

**"Manitoba Act"** means *The Securities Act* (Manitoba), R.S.M. 1998, c.S50 as amended from time to time.

**"Offering"** means the offering by the Corporation of 3,750,000 Units at a price of \$0.40 per Unit, as set forth in this prospectus;

**"Proposed Eagle Acquisition"** means the acquisition of all of the issued and outstanding Eagle Securities, on the terms and conditions set out in the Acquisition Agreement and described herein under "The Proposed Eagle Acquisition";

**"Purchase Warrants"** means the Common Share purchase warrants comprising the Units, each whole Purchase Warrant entitling the holder thereof to acquire one Common Share at a price of \$0.80 at any time prior to the Warrant Expiry Time;

**"Significant Assets"** has the meaning set out under the heading "Business of the Corporation";

**"Sponsor's Warrant"** means each common share purchase warrant to be issued to the Agent in accordance with the terms of the Agency Agreement entitling the holder thereof to acquire one Common Share at a price of \$0.40 at any time prior to the Warrant Expiry Time;

**"Subscriber"** means a subscriber for Units;

**"Subscription Funds"** means the subscription funds received by the Corporation for the sale of the Units under this Offering which will be held by the Trustee pursuant to the Custodian Agreement;

**"Tax Act"** means the *Income Tax Act* (Canada), R.S.C. 1985 (5th Supp.), c.1 as amended from time to time;

**"Trustee"** means Olympia Trust Company;



**"Unit" or "Units"** means one or more units of the Corporation issuable pursuant to this Offering, each Unit consisting of one Common Share and one-half of a Purchase Warrant;

**"Warrant Expiry Time"** means 4:00 p.m. on the date which is the earlier of (i) 24 months from the date of Closing of the Offering; and (ii) 15 days from the date the Corporation issues a notice that the closing price or closing bid price of the Common Shares on CDNX, or any Canadian stock exchange on which the Common Shares are then listed, is above \$1.20 for ten consecutive trading days provided such event occurs subsequent to five months after the date of Closing of the Offering;

**"Warrants"** means any of the Acquisition Warrants, Purchase Warrants, Agent's Warrants, Sponsor's Warrants or Finder's Fee Warrants; and

**"WSE"** means Winnipeg Stock Exchange.

### EXCHANGE RATES

In this prospectus unless otherwise specified, all references to "dollars", or to "\$" are to Canadian dollars and all references to "US dollars" or to "US\$" are to United States dollars. On April 6, 2001, the noon rate payable in Canadian dollars, as reported by the Bank of Canada, was \$1.5613 for each US\$1.00. The closing, low, high and average noon rates for the US dollar in terms of Canadian dollars for each period identified as reported by the Bank of Canada were as follows:

	Years ended December 31		
	2000	1999	1998
Closing	\$1.4995	\$1.4433	\$1.5333
Low	\$1.4318	\$1.4420	\$1.4040
High	\$1.5632	\$1.5475	\$1.5845
Average noon	\$1.4850	\$1.4858	\$1.4831



## SUMMARY

*The following is a summary only and is qualified by the more detailed information contained in the body of this prospectus. Reference is made to the "Glossary" for the meanings of certain defined terms.*

**THE CORPORATION** Fairview Capital Corp. is a "Keystone" Corporation incorporated under the laws of the Province of Manitoba. The Common Shares are listed on the CDNX and trade under the symbol "FA.K". At the time of its initial public offering, the Corporation proposed to identify and evaluate opportunities to enter into a Major Transaction, including a proposed business combination with Bald Eagle. Once identified and evaluated, the Corporation negotiated the Acquisition Agreement with Bald Eagle, conditional upon, *inter alia*, shareholder and regulatory approval. See "Business of the Corporation".

**THE OFFERING** This prospectus qualifies the distribution of 3,750,000 Units (\$1,500,000). Each Unit consists of one Common Share and one-half of a Purchase Warrant. Each whole Purchase Warrant will entitle the holder thereof to purchase one additional Common Share at a price of \$0.80 at any time prior to the Warrant Expiry Time. This prospectus also qualifies the distribution of the Warrants and all of the Common Shares issuable upon exercise of any of the Warrants.

**PRICE** \$0.40 per Unit.

**USE OF PROCEEDS** The net proceeds from the sale of the Units are estimated to be \$1,350,000 after deducting the Agent's fees. The sponsorship fee of \$10,000 and the expenses of the issue estimated at \$50,000 will be paid out of existing working capital. The net proceeds will be used to pursue the business plan of Bald Eagle and for general corporate purposes. See "Use of Proceeds".

The Corporation expects the net proceeds will be used as follows:

	Total Offering
Infomercial, Testing & Media	\$ 675,000
Inventory	\$ 300,000
Office, Administration & Equipment	\$ 282,000
Additions to Working Capital	\$ 93,000

**TRANSITION TO THE CDNX** Following the merger of the WSE with the CDNX, the Common Shares were listed on the CDNX. Pursuant to CDNX Policy 6.3 – "Transitional Provisions for WSE Issuers and Prospective WSE Issuers", in order to utilize the WSE Keystone Company policies, the Corporation submitted a complete CDNX Application (as that term is defined in CDNX Policy 6.3) and received conditional approval for its Major Transaction. The CDNX has confirmed that the Corporation must successfully comply with all conditions imposed upon it by the CDNX and complete this Offering and the Major Transaction by April 30, 2001, failing which, it may be required to complete a "Qualifying Transaction" in accordance with the CDNX Capital Pool Company Program.



The Corporation obtained an order from the Manitoba Securities Commission exempting it from the restriction in MSC Policy Rule 44-501 that prohibits the acquisition of securities of a company incorporated in a jurisdiction outside Canada in order to allow it to proceed with the Proposed Eagle Acquisition. The Corporation must also meet the Tier 2 listing requirements of the CDNX within 18 months following its initial listing on the CDNX, failing which it will be de-listed.

**CONDITIONS OF CLOSING**

One of the conditions of the completion of the Acquisition Agreement is the closing of this Offering. In addition, certain conditions must be met in order for the Major Transaction, and accordingly, this Offering to be completed. See "The Proposed Eagle Acquisition - Conditions of Closing".

**RISK FACTORS**

An investment in the Units should be considered highly speculative due to the stage and nature of the Corporation's business and its early stage of development. The Units are suitable only for investors who are able to accept the risks inherent in the Corporation's business and inherent in the business of Bald Eagle. In addition, there are a number of other risk factors that should be considered by persons proposing to make an investment in the Units. Subscribers should consult their own professional advisors to assess the income tax, legal and other aspects of the investment. See "Risk Factors".

**RRSP ELIGIBILITY**

Provided that the Common Shares are listed on a prescribed stock exchange in Canada, the Common Shares will, on the date of listing of such shares, be eligible for investment by registered retirement savings plans. See "RRSP Eligibility".

**DILUTION**

The price per Common Share exceeds the adjusted net tangible book value thereof as at December 31, 2000, by \$0.318, representing a dilution of 79.5% after giving effect to the Proposed Eagle Acquisition. See "Dilution".



## **THE CORPORATION**

The Corporation was incorporated under the name 4204042 Manitoba Ltd. by Certificate of Incorporation issued pursuant to the provisions of *The Corporations Act* (Manitoba) on May 10, 2000. The Articles of the Corporation were amended by Certificate of Amendment issued July 5, 2000 to remove the private Corporation provisions and to change the name from 4204042 Manitoba Ltd. to Fairview Capital Corp. The registered and head office of the Corporation is located at 700-330 St. Mary Avenue, Winnipeg, Manitoba R2C 3Z5. The Corporation has no subsidiaries. The Common Shares are listed on the CDNX and trade under the symbol "FA.K."

## **BUSINESS OF THE CORPORATION**

### **History and Operations of the Corporation**

The Corporation was incorporated as a keystone company pursuant to the rules and regulations of the WSE. The WSE ceased operations as a stock exchange at the end of the business day on November 24, 2000, at which time CDNX commenced operations as a stock exchange in Manitoba.

At the time of its initial public offering, the Corporation proposed to identify and evaluate an opportunity to enter into a business combination with Bald Eagle and other opportunities for the acquisition of an interest in corporations, properties, assets or businesses which would qualify as the Corporation's Major Transaction, and once identified and evaluated, to negotiate an acquisition or participation subject to receipt of shareholder and regulatory approval.

Prior to the completion of a Major Transaction, the Corporation is prohibited from and shall not directly or indirectly pay any consulting fee and/or other form of remuneration to any of its directors, officers, promoters, and other insiders and associates or affiliates of those persons or companies. In addition, the Corporation will not consider acquisitions of corporations, properties, assets or businesses outside of North America prior to the completion of a Major Transaction.

### **Proposed Acquisition of Bald Eagle**

The Corporation identified Bald Eagle as an acquisition target for its Major Transaction. The potential acquisition of Bald Eagle was initially screened by management of the Corporation to determine its economic viability. The Board of Directors examined Bald Eagle having regard to sound business fundamentals, utilizing the expertise and experience of the directors of the Corporation. The Corporation has entered into the Acquisition Agreement with Bald Eagle and its shareholders pursuant to which the Corporation shall purchase all of the outstanding Eagle Securities. See "The Proposed Bald Eagle Transaction".

### **Requirements to be Met to Complete a Major Transaction**

In accordance with Manitoba Securities Commission ("MSC") Rule 44-501, any Major Transaction (as hereinafter defined) shall be submitted to the shareholders of the Corporation for approval.

"Major Transaction" means a transaction in relation to which a Keystone:



- (a) issues or agrees to issue securities representing more than 25% of its securities issued and outstanding prior to the issuance, in consideration for the acquisition of Significant Assets,
- (b) enters into an arrangement, amalgamation, merger or reorganization with another issuer with Significant Assets, by virtue of which the ratio of securities that are distributed to the security holders of the Keystone and of the other issuer results in the security holders of the other issuer acquiring control of the resulting entity, or
- (c) otherwise acquires Significant Assets,

but does not include a private placement for cash as set out in section 3.3 of MSC Rule 44 - 501;

**"Significant Assets"** means assets or securities of another issuer, the acquisition of which by the Keystone results in the Keystone meeting Exchange Requirements for listing an issuer other than a Keystone, but does not include cash.

Notwithstanding the definition of a Major Transaction, the CDNX may not approve a Major Transaction where the Corporation fails to meet the minimum listing requirements of the CDNX upon completion of the transaction. Additionally, MSC Rule 44-501 restricts the acquisition of securities of a company in connection with the Major Transaction to companies incorporated within Canada. Accordingly, the Corporation requested and obtained relief from this requirement from the Manitoba Securities Commission in order to allow it to proceed with the Proposed Eagle Acquisition.

At a special meeting of the shareholders of the Corporation held on March 13, 2001 the majority of the minority of the shareholders approved the Proposed Eagle Acquisition as the Corporation's Major Transaction. All shareholders, other than the promoters, officers and directors of the Corporation, other insiders and associates or affiliates of those persons or corporations ("Related Parties"), and Related Parties to the other parties to the Major Transaction, were provided the right to approve the Major Transaction on the basis of the application of the "Majority of the Minority" test, and the information circular disclosed that the resolution was to be passed by at least 50% plus one vote of the votes cast by security holders who vote at the security holders' meeting, other than Related Parties to the Corporation and Related Parties to the other parties to the Major Transaction.

The Corporation must comply with the by-laws and policies of the CDNX and with the Manitoba Act respecting notice of a material change in the affairs of the Corporation. On September 21, 2000 the Corporation issued a press release announcing the Proposed Eagle Acquisition. The Corporation has received conditional approval from the CDNX to the Proposed Eagle Acquisition and distributed to the shareholders of the Corporation, an information circular containing full, true and plain disclosure in respect of all material facts related to the proposed Major Transaction and, such disclosure was prepared in accordance with the usual form of an information circular under the Regulations pursuant to the Manitoba Act, including Form 13 of the Regulations under the Manitoba Act. The Corporation has also submitted a feasibility study of the business of Bald Eagle to CDNX. Such feasibility study is available for review at the offices of the Corporation.

## THE PROPOSED BALD EAGLE ACQUISITION

During its initial public offering, the Corporation indicated that it was considering an investment in the leisure goods sector and it had very preliminary discussions with Bald Eagle, a manufacturer and marketer of golf balls. At the time there had been some preliminary discussions however, the Corporation



had no agreement whatsoever with Bald Eagle, had not conducted any due diligence of Bald Eagle and had not made any commitment to do so. Subsequently, the Corporation and Bald Eagle continued to discuss the possibility of combining their resources and Bald Eagle provided the Corporation with financial and other information with respect to Bald Eagle and its patented technology for golf balls.

On September 19, 2000, the Corporation entered into a letter agreement with Bald Eagle with respect to the proposed purchase by the Corporation of all of the Eagle Securities. Effective November 23, 2000 the Corporation entered into the Acquisition Agreement with all of the Bald Eagle shareholders whereby such shareholders agreed to sell all the issued and outstanding Eagle Shares, Eagle Warrants and Eagle Options to the Corporation in exchange for Common Shares and the Acquisition Warrants.

Bald Eagle is a privately-owned limited liability company incorporated under the laws of Colorado involved in the development and marketing of special patented golf balls. According to management of Bald Eagle, its patented golf ball is one of the most unique and innovative golf balls to be developed in the past thirty years. The Bald Eagle golf ball is visibly and functionally different from any other golf ball on the market. The Bald Eagle golf ball cover has six, small, symmetrically located bald spots (undimpled areas) which are specifically used during putting, but which also contribute to the exceptional length and accuracy of the ball off the tee. The logos on the ball are printed exactly over two of the six bald spots so that when a logo is aligned on the green with the intended putting direction, not only does the ball sit on a smooth spherical surface, but the putter face contacts an identical smooth surface. The Bald Eagle golf ball's design eliminates the "dimple effect" which has been statistically shown to improve putting accuracy. See "Information Concerning Bald Eagle".

Pursuant to the Acquisition Agreement, which was negotiated on an arm's length basis, the Corporation has agreed to purchase all of the Eagle Securities on the basis of one Common Share for each Eagle Share and one Acquisition Warrant for each Eagle Warrant and each Eagle Option. A maximum of 5,878,000 Common Shares and 2,854,000 Acquisition Warrants will be issued in conjunction with the acquisition of Bald Eagle. The effective date of the acquisition of Bald Eagle is expected to be on or about April 26, 2001.

### **Conditions of Closing**

In addition to the requirements to obtain shareholder and regulatory approval, the Acquisition Agreement contains a number of conditions precedent to the obligations of the Corporation and the other parties thereto. Unless all of such conditions are satisfied or waived, the acquisition of Bald Eagle will not proceed. The following is a summary of the significant conditions contained in the Acquisition Agreement:

- (a) all representations and warranties in the Acquisition Agreement must be true and correct in all material respects on the Closing Date;
- (b) all covenants in the Acquisition Agreement must have been complied with in all material respects on the Closing Date;
- (c) a resolution of the directors of Bald Eagle shall have been passed and be in full force and effect approving the transactions contemplated herein, including the transfer to the Corporation of the Eagle Securities;
- (d) a certificate of an officer of Bald Eagle confirming that, as at the Closing Date, Bald Eagle's accounts payable are equal to or less than US\$100,000 and its royalty payable for



the patent relating to the Bald Eagle golf ball (as described under "Information Concerning Bald Eagle") is equal to or less than US\$330,000;

- (e) the Corporation shall have completed this Offering for gross proceeds of not less than CDN\$1,000,000;
- (f) on the Closing Date there shall be not more than 5,878,000 Eagle Shares and 2,374,000 Eagle Warrants and 479,600 Eagle Options (collectively exercisable into 2,854,000 Eagle Shares) issued and outstanding;
- (g) conditional approval by CDNX of the transactions contemplated by the Acquisition Agreement;
- (h) upon completion of the transactions contemplated by the Acquisition Agreement, the Common Shares, the Acquisition Warrants and the Common Shares to be issued on the exercise of the Acquisition Warrants shall be conditionally listed on the CDNX; and
- (i) the proposed Board of Directors of the Corporation shall have been elected at a duly convened shareholder's meeting, held to approve the Proposed Eagle Acquisition as the Corporation's Major Transaction.

In consideration for Merchant Equities Investment Inc., Merchant Equities Capital Corp. and DMT Capital Corp.'s efforts in bringing the Corporation and Bald Eagle together, the Corporation shall, subject to regulatory approval, on Closing, pay to such parties a finder's fee by the issuance of 600,000 Finder's Fee Warrants of the Corporation, allocated to Merchant Equities Capital Corp. and DMT Capital Corp., each as to one-half thereof, and a cash payment of \$30,000 to Merchant Equities Investment Inc. Each such Finder's Fee Warrant shall entitle the holder thereof to acquire one Common Share upon exercise and payment of \$0.20 at any time prior to 4:00 p.m. (Calgary time) on the day that is 24 months after the closing of the Proposed Eagle Acquisition. David Thom and Eric Leslie, proposed directors of the Corporation, are the majority shareholders of Merchant Equities Investment Inc. David Thom is the majority shareholder of DMT Capital Corp. and Eric Leslie is the controlling shareholder of Merchant Equities Capital Corp.

## INFORMATION CONCERNING BALD EAGLE

### Corporate Structure

Bald Eagle is a limited liability company ("LLC") which was incorporated on November 11, 1996 under the laws of Colorado by Articles of Organization as SP Golf Ball Company LLC. On August 6, 1999 it changed its name to Bald Eagle Golf Company, LLC by Articles of Amendment. The head office of Bald Eagle is located at 6045 West Evans Pl., Lakewood, Colorado 80227. Bald Eagle has no subsidiaries.

As an LLC, each shareholder of Bald Eagle becomes a "member" ("Member") of the LLC. Membership interests, as that term is defined in the *Colorado Limited Liability Company Act*, are represented by shares. Bald Eagle is managed by Managers, who for the purposes of this prospectus are referred to as Directors.

Bald Eagle has not paid any dividends on the Eagle Shares to the date hereof. It is the present policy of the board of directors of Bald Eagle to retain any earnings to finance the growth and



development of Bald Eagle's business and, therefore, Bald Eagle does not anticipate paying any dividends in the immediate future.

### **Tax Consequences of Structure**

Bald Eagle has elected to be treated as a partnership for U.S. federal income tax purposes. Entities qualifying under the Internal Revenue Code ("Code") as partnerships are not subject to federal income tax, but are required to submit annual federal information returns identifying all the partners and stating the amount of each partner's distributive share of the partnership's income, gain, loss, deduction or credit for the taxable year. Each Member must take into account its distributive share of the company's items of income, gain, loss, deduction or credit in its taxable year in which or with which the taxable year of Bald Eagle ends, whether or not cash distributions with respect to such items are made to the Members.

Under Section 469 of the Code, the activities of Bald Eagle may constitute "passive activities". Losses from such activities generally can only offset income from other "passive activities". Thus, if a Member is subject to Section 469 (which applies to individuals, trusts, estates, closely-held corporations and personal service corporations), losses from Bald Eagle would not be available to offset non-passive income and gains of "members" from other sources.

The Code, with respect to all of the foregoing matters, is constantly subject to change by the U.S. Congress. In recent years there have been significant changes in the Code, many of which are being reconsidered by Congress and interpretations of which are being considered by the Service in connection with the publication of Regulations. It is not possible at this time to predict whether or to what extent any changes in the Code will occur.

**No opinion is being given hereunder with respect to any of the U.S. tax consequences of the completion of the Major Transaction or the application of any U.S. tax legislation in respect of Bald Eagle or the Proposed Eagle Acquisition.**

### **Operating Agreement**

Bald Eagle's operating agreement dated October 21, 1996, as amended by an amending agreement dated September 30, 1998 (collectively, the "Operating Agreement"), which governs the internal affairs of Bald Eagle, imposes certain restrictions on a Member's ability to sell or otherwise transfer any shares. Under the Operating Agreement a Member may not assign, sell, exchange, offer for sale, give, transfer, pledge or hypothecate all or any part of his shares or membership interest in Bald Eagle unless and until (i) September 30, 1999; (ii) the said transaction and the admission of said assignee, legatee, distributee, transferee or successor (by conveyance, operation of law or otherwise) has been approved by the Members pursuant to Section 11.3 of the Operating Agreement; and (iii) the assigning Member has furnished Bald Eagle with an opinion of counsel, in form and substance acceptable to the directors of Bald Eagle, to the effect that the proposed transaction does not violate of any applicable federal or state securities laws and will not terminate Bald Eagle pursuant to Section 708 of the Internal Revenue code of 1986. Prospective Members or any assignees, legatees, distributees, transferees or successors of prospective Members shall execute and deliver a separate Statement of Acceptance of the terms and conditions of the Operating Agreement and such other instruments, in form and substance satisfactory to the Directors of Bald Eagle, as the directors of Bald Eagle shall deem necessary or desirable to cause such persons to become Members, and such assignees, legatees, distributees, transferees, or successors shall pay all reasonable expenses in connection with such admission as a Member.



## **BUSINESS OF BALD EAGLE**

### **Overview and History**

Nine months following its incorporation, Bald Eagle was issued U.S. patent number 5,662,530 for the design of the Bald Eagle golf ball. From November 1996 to mid-May 1998, Bald Eagle focused on the development and production of the first Bald Eagle golf ball. In June 1998 Bald Eagle introduced its first product, the "Distance Ball" to the market in Denver, Colorado and in early February, 1999 introduced two new products, the "Tour Spin Ball" and "Tour Balata Ball" and commenced national advertising via one minute and 30 second commercials that were mainly aired on a U.S. cable golf channel. (In this prospectus, the Distance Ball, Tour Spin Ball and Tour Balata Ball are collectively referred to as the "Bald Eagle Golf Ball" or "Bald Eagle Golf Balls").

In September 1998, Bald Eagle raised US\$1.25 million which was used to develop Bald Eagle's marketing program through endorsements, television commercials and advertising, to develop additional golf balls, to enhance customer service, to obtain retail store shelf space and to complete independent testing.

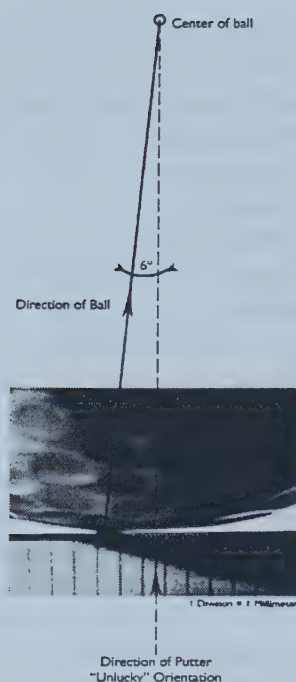
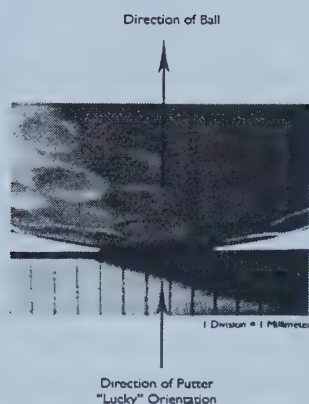
During 1999, Bald Eagle Golf Balls were sold in over 600 stores nationally. Sales from direct television response and from retail stores grew from 50 dozen balls (US\$1,000) in December 1998 to 3,000 dozen balls (US\$64,458) in July 1999. Sales continued at around these levels through September 1999 and then declined as advertising and marketing efforts were reduced to conserve funds. By October 1999 all advertising and marketing costs had ceased and consequently sales volume decreased through to the present time where monthly sales are between 50 and 200 dozen balls per month.

Bald Eagle's strategy and development has been guided by Don Ingerman, former Vice Chairman and President of the Ben Hogan Company, Larry Cadorniga, former director of research and development for Titleist (a brand name of Acushnet Company) and Dunlop Maxfli Sports Corp., Harold Swash, putting consultant to the European Ryder Cup Team and T.J. Izzo, former Chief Executive Officer of Izzo Systems Inc.

### **The Bald Eagle Golf Balls**

According to Bald Eagle's management, its patented golf ball is one of the most unique and innovative golf balls to be developed in the past thirty years. The Bald Eagle Golf Ball is visibly and functionally different from any other golf ball on the market. The Bald Eagle Golf Ball cover has six, small, symmetrically located bald spots (undimpled areas) which are specifically used during putting, but which also contribute to the exceptional length and accuracy of the ball off the tee. The logos on the ball are printed exactly over two of the six bald spots so that when a logo is aligned on the green with the intended putting direction, not only does the ball sit on a smooth spherical surface, but the putter face contacts an identical smooth surface. The Bald Eagle Golf Ball's design eliminates the "dimple effect" (as shown below) which has been statistically shown to improve putting accuracy.





Independent testing performed by the Department of Engineering at the University of Denver has confirmed that the dimple effect causes significant misdirection in competitor's golf balls almost one-fourth of the time on putts in the 4.5 foot range. See "Putting Test Results". No such error occurs with the Bald Eagle Golf Ball and Bald Eagle believes that statistically, competitor's balls cost each golfer between one and three strokes per round. Additional testing completed at Golf Laboratories, Inc. in San Diego, California has confirmed the aerial performance (accuracy and distance) of the Bald Eagle Golf Ball from tee to green. The following is a summary of the Aerial Performance Data Test conducted by Golf Laboratories, Inc.

#### SUMMARY AERIAL PERFORMANCE TEST DATA GOLF LABORATORIES, INC.

Ball	Test 1 - February 12, 1998				Velocity Head (fps)
	Disp. (ft)	Carry Dist. (yds)	Disp. (ft)	Total Dist. (yds)	
Major Brand A	7.06	238.33	10.81	256.08	110.25
Major Brand B	14.08	244.92	17.08	262.83	110.29
Major Brand C	8.44	244.67	6.78	257.67	110.33
<b>Bald Eagle Distance</b>	10.75	246.25	11.81	263.08	110.41



### Test 2 - March 5, 1999

Major Brand A	14.25	241.75	21.17	253.42	110.35
<b>Bald Eagle Tour Spin</b>	10.83	238.17	7.58	253.67	110.26
Major Brand B	14.25	236.00	12.42	250.92	110.32
<b>Bald Eagle Distance</b>	16.00	242.25	23.58	256.50	110.21
Major Brand C	11.25	237.00	14.33	254.25	110.31
Major Brand D	15.33	238.25	22.92	253.83	110.23
<b>Bald Eagle Tour Balata</b>	13.17	236.00	14.58	251.17	110.46
Major Brand E	17.25	245.92	20.33	258.75	110.33
Major Brand F	9.25	242.00	12.67	257.17	110.46
Major Brand G	17.50	241.92	22.17	255.33	110.36

Management of Bald Eagle believes that the Bald Eagle Golf Ball has the essential performance features that both professional and amateur golfers desire in a tour-quality golf ball including distance, trajectory and spin rate, all combined with the Bald Eagle Golf Ball's unique feature to promote exceptional putting accuracy. The directors of Bald Eagle are of the view that the combination of a dimple pattern design and material engineering give the Bald Eagle Golf Ball its exceptional qualities.

Bald Eagle has developed three different types of golf balls with its unique bald spots. The "Distance Ball" is a two-piece solid ball with a high-velocity polybutadien core and a compression rating of either 90 or 100. The "Tour Spin Ball" is a two-piece ball with a high energy core and a compression rating of either 90 or 100, and "Tour Balata Ball" is a three-piece multi-layer ball with a high-velocity solid core and a thicker mantle with a compression rating of either 90 or 100.

Bald Eagle Golf Balls and their technology conform with the rules of the United States Golf Association ("USGA"), the ruling body for golf equipment for tournament play in the United States, and are listed in the Spring 1999 Conforming Ball Book as approved by the USGA and the Royal and Ancient Golf Club ("R&A") of St Andrews in the United Kingdom.

### Putting Test Results

The Department of Engineering at the University of Denver conducted a putting analysis using major brand name golf balls. They tested Bald Eagle's hypothesis that the removal of the dimples on a golf ball in strategic locations should allow a golf ball to rest on a perfectly spherical surface, while at the same time allowing a putter to contact a flat face and thereby improve putting accuracy and consistency. Seven major brand name golf balls, including the Bald Eagle Golf Ball, were tested.

Each golf ball was tested for out-of-balance manufacture by floating the golf ball in a heavy liquid. The top of the golf ball in the float was marked and each golf ball was rolled on the putting table with the "float point" vertical so that any out-of-balance effects during the putting roll were eliminated. The Bald Eagle Golf Ball was the only golf ball that required a specific orientation when lining up a putt. Only those golf balls whose "float point" was on (or nearly on) the circumference passing through both logos (in the direction of the logos) were used in the testing. This eliminated any out-of-balance effects during the putting roll.

The comparative putting tests were entirely reliant on obtaining a smooth repeatable putting stroke on a level and spotlessly clean table with the golf ball starting in the same fixed location for each roll. The putting table was covered with a napless billiards table cloth, and thoroughly cleaned with a vacuum and lint brush. The table was stabilized and leveled both longitudinally and horizontally.



With the table and pendulum putting machine level, the alignment of the sweet spot on the putter was established using a laser. When putting, the golf ball was struck slightly after the putter had passed through the vertical plane to ensure that the putter face was accelerating through the golf ball at impact. A backstop for the putter was placed at a distance behind the putter to provide a consistent backswing distance.

A single operator putted 200 golf balls of each major brand name in a randomized manner, and the deviation from a straight line was determined visually using the aid of a marked scale. The Bald Eagle Golf Ball was tested both aligned with the logo and unaligned. Every roll of every golf ball was recorded on video for substantiation of the final results. The data was analyzed to compare the standard deviation of each brand and determine probabilities of near-misses and full misses for a putt distance of approximately 4.5 feet.

The Bald Eagle Golf Ball, when aligned properly, displayed a standard deviation that was less than any of the major brand name golf balls. The nearest major brand name golfball had a standard deviation that was 3 times higher than the Bald Eagle Golf Ball. The Bald Eagle Golf Ball did not have any near-misses (1.5") or misses (2.0") during the testing. The probability of missing a shot by over 1.5 inches with the Bald Eagle Golf Ball was 0, while the major brand name golf balls missed on average 1 out of every 5 times. The probability of missing a shot by over 2.0 inches with the Bald Eagle Golf Ball was 0, while the major brand name golf balls missed on average 1 out of every 10 times. These figures (for the major brand name golf balls) are similar to those seen in professional tournaments, and may help explain the presence of missed short putts amongst professional golfers.

### **Customer Base**

According to the National Golf Foundation, the total number of golfers in the United States in 1997 was approximately 26.5 million. These golfers can be divided into the following three categories; occasional, moderate, and avid. Moderate and avid golfers, who play more than 8 and 25 rounds per year respectively, constitute approximately 13.5 million golfers and were responsible for 88% of the 528 million rounds of golf played in 1998.

### **Market Penetration**

Bald Eagle initially introduced its golf balls into the market in Denver in the summer of 1998. In the initial weekend that the Bald Eagle Golf Balls were available for sale at two retail shops in Denver, approximately 100 dozen Bald Eagle Golf Balls were sold. In July 1998, these two stores were apparently selling the Bald Eagle Golf Balls at one-third the rate of total Titleist sales at the same stores. Bald Eagle built on this initial reaction to grow the retail trade base to over 600 stores nationally with monthly sales growing from 50 dozen balls in December 1998 to 3,000 dozen balls in July 1999. Subsequent to July 1999, Bald Eagle ceased all advertising and promotional activities to conserve funds, and along with the close of the golfing season in much of the United States in August/September, sales of Bald Eagle Golf Balls dropped to their current rate of approximately 50 to 200 dozen balls per month.

### **Patent**

Bald Eagle has been granted a patent in the United States and has patent pending status in the European Economic Community, Australia and Canada. This patent is a utility patent (number 5,662,530) and covers any ball with smooth areas in any configuration that may be used to improve putter and ball contact. The currently issued patent will expire in September, 2014.



## **Low Cost Development**

Bald Eagle designed, engineered, manufactured, and brought to market the Bald Eagle Golf Ball at a total cost of approximately \$650,000 per ball type, over a three year period. Management of Bald Eagle estimates that, in contrast, the industry average for a single premium new golf ball design is five years and approximately \$5.0 million.

## **Business Strategy**

Bald Eagle maintains a small management team and staff and outsources its manufacturing, telemarketing and account management. Bald Eagle Golf Balls are manufactured and packaged by a small manufacturing company in Taiwan. The manufacturing company has modern production facilities, excellent quality control systems and a capacity to produce approximately 40,000 dozen golf balls per month for Bald Eagle by using one production mold that uses 8 sets of ball cavities. The ball cavities belong to Bald Eagle, while the production mold belongs to the manufacturing company. The current production capacity is further limited to approximately 20,000 golf balls per month on account of ball printing and marking equipment. Bald Eagle requires the printing on the balls to be exactly located over the bald spots which is a time consuming process because every golf ball must be aligned by hand into the printer pad. Bald Eagle has set aside sufficient reserves in its budget to increase production. In order to double the current production capacity, 8 additional sets of ball cavities and related hardware would be required. This would cost approximately US\$15,000, and it would take approximately two months before Bald Eagle would be in receipt of the cavities and related hardware. Bald Eagle has also set aside sufficient reserves to purchase an additional pad printer and an automatic ball alignment system in order to increase printing capacity.

Bald Eagle's strategy as discussed below is a marketing plan that utilizes the visibly and functionally different features of Bald Eagle Golf Balls, and creates a web-based "Buyers Club" and a virtual "Pro Shop" where members may shop for golf-related products. It does not directly confront or compete with existing golf ball manufacturers.

## **Marketing Strategy**

A marketing strategy for Bald Eagle Golf Balls has been proposed by Jim Harrison, President and Chief Executive Officer of Harrison Direct, a company specializing in direct response television in the golf and sports equipment industries. Mr. Harrison has been involved in direct response television for over 10 years, was co-founder of Alien Sport, Inc. and was the architect behind the highly successful new product introduction of the original "Alien Wedge" television infomercial.

Mr. Harrison attended the Professional Golf Association ("PGA") Golf Show in Orlando, Florida from February 4<sup>th</sup> to 7<sup>th</sup>, 2000 where he observed Bald Eagle's putting table and reviewed the putting test results. He had known about the Bald Eagle Golf Ball for some time and was impressed with its potential.

Mr. Harrison has developed a marketing proposal that involves the development of the Bald Eagle Golf Club (the "Club"), a shopping club in combination with a dot-com company to sell Bald Eagle Golf Balls, and other selected products, including golfing apparel, holiday packages and products aimed at increasing the public's enjoyment of golf. An infomercial or long-form commercial on the Bald Eagle Golf Ball would be aired nationally (or regionally) to attract new members to the Club. The price of a membership card to the Club would be approximately US\$50 to US\$80, and would likely include a dozen balls, a golf hat, a shirt, a glove and an information package on how to use the Club.



New members would be encouraged to introduce the Bald Eagle Golf Ball and the Club to others. Members would receive credit points on their card for each Bald Eagle Golf Ball purchased directly, and lesser points for each direct contact who purchased Bald Eagle Golf Balls, and lesser points again for Bald Eagle Golf Balls sold at the next level in their chain. These points would be redeemable at the Bald Eagle Golf.com store attached to, but separate from, another e-commerce site that would sell additional golf products and accessories. The Bald Eagle.com store would stock only selected products but may include nationally recognized brands that are considered suitable by management and provided that arrangements could be made to obtain such products. Members of the Club would receive discounts in the Bald Eagle.com store and could shop with their points. Non-members would have access to the store via the infomercial and website.

## **Feasibility Study**

Wise, Blackman, an independent consulting firm engaged in the valuation of businesses, was engaged to perform a feasibility study on Bald Eagle Golf Company, LLC as at September 30, 2000, in accordance with the feasibility study guidelines set out in Policy 1.5 of the WSE. Based on their independent review and analysis of Bald Eagle's present operations, its planned course of action, the industry in which it operates, the initial markets it has targeted, the explanations received and the interviews conducted, and subject to the risks enumerated within the feasibility study, which are similar in substance to those set out under the heading "Risk Factors", it was Wise, Blackman's view that, as at September 30, 2000: (i) Bald Eagle had developed an innovative product, which had received positive initial results, and had the potential of becoming commercially successful; (ii) management of Bald Eagle had the knowledge, skills and experience, as well as the dedication and motivation, to help ensure Bald Eagle's success; and (iii) the business projections appeared to be reasonable and achievable, provided that Bald Eagle is able to obtain the necessary funding.

## **Endorsements**

### *Hollis Stacy*

In November 1998, three-time United States Women's Open winner Hollis Stacy was signed by Bald Eagle to endorse the Bald Eagle Golf Ball and assist with product testing. Ms. Stacy won back-to-back U.S. Women's Open championships in 1997 and 1998, and is one of only four women professionals to win the U.S. Women's Open three or more times. She is also an 18 time Ladies Professional Golf Association ("LPGA") Tour winner. Ms. Stacy shot a course record 65 with the Bald Eagle Golf Ball in her first round, and had two top-five finishes and one top-ten finish in her first six tournaments using the Bald Eagle Golf Ball. She also moved from 35<sup>th</sup> in the LPGA putting statistics in 1998 to No. 1 after the Sara Lee Classic in May, 1999. By mutual agreement and to conserve funds, Ms. Stacy's endorsement has been discontinued, however, she continues to be a minor shareholder in Bald Eagle.

### *Mike Gorton*

In August 1998, National Long Drive Champion Michael J. Gorton was retained by Bald Eagle to endorse the Bald Eagle Golf Ball. Mr. Gorton served as Bald Eagle's Tour Representative and educated PGA Tour players about Bald Eagle Golf Balls. One of the longest hitters in professional golf, Mr. Gorton is known for hitting a world record 455-yard drive in the 1992 World Power Golf Tournament of Champions. In 1991, Mr. Gorton was crowned Champion of the World Power Golf Tournament of Champions, and in 1996 his consistent long driving record earned him a lifetime exemption for qualifying for the National Long Drive Championship. By mutual agreement and to conserve funds, Mr. Gorton's endorsement discontinued.



## Property

Bald Eagle does not own any property.

## Acquisitions

Bald Eagle has not had any material acquisitions or dispositions of shares or assets during the past 2 years.

## Description of Share Capital

Bald Eagle is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at the date hereof, there are 4,796,288 Eagle Shares issued and outstanding, and at the closing of the acquisition of Bald Eagle there will be, no more than 5,878,000 Eagle Shares issued and outstanding (prior to giving effect to the issuance of any Eagle Shares on the exercise of outstanding warrants or options). To date hereof no preferred shares have been issued. As at the date hereof, there are and as a condition of the Proposed Eagle Acquisition there will be, no more than 2,374,000 Eagle Warrants and 479,600 Eagle Options outstanding, all as described herein.

The holders of Eagle Shares are entitled to one vote per share at meetings of the Members of Bald Eagle and, subject to the prior rights and privileges attaching to any other class of shares of Bald Eagle, are entitled to receive any dividend declared by Bald Eagle on the Eagle Shares and remaining property and assets of Bald Eagle upon dissolution.

## Capitalization

The following table sets forth information respecting the capitalization of Bald Eagle as at December 31, 1999 and as at November 30, 2000.

Designation of Security	Authorized	Outstanding as at December 31, 1999 (audited)	Outstanding as at November 30, 2000 (unaudited)
Eagle Shares <sup>(1) (2)</sup>	Unlimited	US\$1,656,500 (4,748,800 shares)	US\$1,665,998 (4,796,288 shares)
Total Preferred Shares	Unlimited	Nil	Nil
Long Term Debt (Royalty payable)		US\$328,693	US\$328,693

### Notes:

- (1) Does not include Eagle Shares issuable upon the exercise of outstanding Eagle Options or Eagle Warrants. As at November 30, 2000, Eagle Warrants and Eagle Options entitling the holders thereof to acquire up to an aggregate of 2,854,000 Eagle Shares were outstanding, at exercise prices ranging from US\$0.57 to US\$0.63.
- (2) Does not include 1,081,712 Eagle Shares to be issued prior to closing to reduce current liabilities to US\$100,000 at closing of the acquisition of Bald Eagle.
- (3) As at November 30, 2000, Bald Eagle had a members deficit of US\$498,675.

## Prior Sales

Bald Eagle has not issued any Eagle Shares during the 12 months prior to the date hereof except for 47,488 Eagle Shares issued in March 2000 at a deemed price of US\$0.20 in consideration for certain endorsement fees.



## Directors and Officers

The following table sets forth the names and municipalities of residence of the directors and officers of Bald Eagle, their positions and offices with Bald Eagle and their share holdings in Bald Eagle.

Name and Municipality of Residence	Office(s) with Bald Eagle Now Held	Principal Occupation or Employment for the last five years	Became Director	Eagle Shares Beneficially Owned
James Askew Denver, Colorado	Director	Chief Executive Officer of Black Range Minerals, Australia, from November 1999 to present. Chief Executive Officer of Golden Star Resources Inc., Denver, Colorado, from April 1999 to October 1999. Chief Executive Officer of Rayrock Resources, Toronto, Ontario, from September 1998 to April 1999. Chairman of International Mining & Finance Company from February 1996 to present.	November 11, 1996	990,080 <sup>(1)</sup>
James Lewis Denver, Colorado	Director	Self employed primarily in farming, produce distribution and food processing from October of 1990 to present. Co-founder and director of Granite Financial Inc. from February 1995 to February, 1998.	September 30, 1998	2,374,400
Larry Phillips Denver, Colorado	President and Chief Executive Officer	Chief Executive Officer of Bald Eagle from January 1998 to present. Manager of Corporate Development at International Mining & Finance Company from February 1996 to December 1998.	Not Applicable	Nil
John Sellar Denver, Colorado	Vice President, Chief Operations Officer and director	Chief Operating Officer of Bald Eagle from November 1996 to present. Director of Rajong Resources (Deloro Minerals ASX) from April 1996 to March 1993. Vice-President of Operations of Touchstone Mining Inc. from June 1993 to April 1998.	November 11, 1996	1,142,400 <sup>(2)</sup>

(1) Indirectly owned by James Askew through International Mining & Finance Company, a Colorado corporation controlled by Mr. Askew.

(2) Indirectly owned by John Sellar through Sellar, LLC, a Colorado limited liability corporation controlled by Mr. Sellar.

The directors and officers of Bald Eagle and companies controlled by them, as a group, beneficially own, directly or indirectly, approximately 94% of the issued and outstanding Eagle Shares as at the date hereof.



## **Management and Key Personnel**

The following sets forth additional information respecting the current management and directors of Bald Eagle. Except as described below and as otherwise described in this prospectus, no director or officer of Bald Eagle or any associate or affiliate of such persons, has had any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction, or proposed transaction which has materially affected or will materially affect Bald Eagle.

### **Larry Phillips- President, Chief Executive Officer and a Director**

Larry Phillips has been with Bald Eagle since its inception and is currently serving as President, Chief Executive Officer and a Director. Mr. Phillips has been involved with the design, development, production, and marketing of the Bald Eagle. Larry Phillips comes to Bald Eagle with many years of experience in business development and corporate public relations. From February 1996, to December 1998, Mr. Phillips was the manager of corporate development for International Mining and Finance Company, a venture capital firm specializing in start-up and junior mining companies. From June, 1994 to January 1996, Mr. Phillips was the manager of corporate and investor relations for Golden Shamrock Mines, a publicly traded \$300 million market cap gold and copper producer based in Melbourne, Australia and Denver, Colorado. He is an avid golfer whose golfing history includes victories in the amateur division of the Denver City Open (1980), Western Slope Amateur (1997), and Rocky Mountain Open (1978) among others. Mr. Phillips will be involved in the affairs of Bald Eagle on a part-time basis.

### **John Sellar - Vice President, Chief Operating Officer and Chairman of the Board of the Directors**

John Sellar has been with Bald Eagle since its inception and is currently serving as Vice President, Chief Operating Officer and Chairman of the Board of Directors. Mr. Sellar is the founder of Bald Eagle and the inventor of the Bald Eagle technology. As such, he would be considered a promoter of Bald Eagle. Mr. Sellar contributed patent rights in exchange for a royalty payable of US\$350,000. He beneficially owns 1,142,400 Eagle Shares and has received 239,800 Eagle Options from Bald Eagle, as part of his employment package exercisable up to January 1, 2004 at an exercise price of US\$0.55.

In 1996, Mr. Sellar received an honors degree in Mining Engineering from Melbourne University, Australia and he has worked in the mining industry for over 30 years in Australia, South America, and the United States. Mr. Sellar is the holder of numerous patents involving new technology and is the inventor of the Bald Eagle. (All patent rights relating to the Bald Eagle have been assigned to Bald Eagle.) While working for Conzinc RioTinto in Australia, he was responsible for the construction and operation of a number of mining ventures with budgets ranging from \$10 to \$300 million, including the operation of Australia's only uranium project. Mr. Sellar has also worked as a consultant to the mining industry and is a founder and partner in Touchstone Mining, Inc., an unlisted U.S. mining company. In June, 1993 he was a director of Deloro Minerals Limited, a publicly listed company on the Alberta stock exchange in Canada and is a permanent resident in the U.S.

### **James Askew - Director**

James Askew has served on the Board of Directors of Bald Eagle since December, 1996. Mr. Askew is the owner of International Mining and Finance Company, a venture capital and private investment group, which in turn is a principal shareholder in Bald Eagle. Mr. Askew is a mining engineer with broad international experience as Chief Executive Officer for a number of mining, investment, contracting, software and service companies in the international arena. These roles have included the restructure of Golden Star Resources Inc. and Rayrock Resources in North America, reconstitution of Golden Shamrock Mines from a listed shell through to its merger with Ashanti Goldfields, co-founding



Ausdrill Ltd. and the earlier establishment of James Askew & Associates, now known as Australian Mining Consultants. As a director, past or present, of over 20 publicly held resource companies internationally, he has broad experience of the public company issues attendant to international exploration and mining companies. He is currently Chief Executive Officer of Black Range Minerals Limited, based in Sydney, Australia and is a non-executive director of Ausdrill Ltd. (ASX), a non-executive director of Golden Star Resources Inc. (AMEX and TSE), and non-executive director of Semafo Inc. (TSE).

#### **James Lewis - Director**

James Lewis has served on the Board of Directors of Bald Eagle since September, 1998. Since 1991, Mr. Lewis has been actively involved in the food industry through significant personal investments in a number of private companies engaged in vegetable farming, fresh produce shipping, warehousing, crossdocking and distribution, food processing and canning, and retail grocery store operations. In 1995, Mr. Lewis co-founded and served as a director, Granite Financial Inc. ("Granite"), a small-ticket equipment leasing company, with Mr. W.W. Wehner. Granite completed an initial public offering in 1996 and a follow-on offering in 1997. Granite was merged into Fidelity National Financial, Inc. in 1998 in a transaction valued at over \$130 million. Mr. Lewis is the major investor in Bald Eagle.

#### **James Harrison – Marketing Consultant**

James Harrison has been involved with startup companies and marketing consulting for most of his career. In 1991, Mr. Harrison expanded his consulting business to include Direct Response Marketing and this led to the development of Mr. Harrison's unique approach to integrated direct response marketing. In 1993, Mr. Harrison Co-Founded Alien Sport, Inc. and ran both the marketing and product development functions. He developed the model for full scope integrated direct response driven marketing programs for the Alien Wedge, one of the most successful new product introductions in golf industry history. In 1997, Mr. Harrison left Alien Sport and reorganized his consulting firm to focus on expanding his presence and influence within the golf and sports equipment industries. This new entity is Harrison Direct whose consulting expertise includes: new product analysis and testing, price positioning studies, analysis of direct response television viability, celebrity talent selection, infomercial creative concepts, infomercial or short form production, long and short form editing and scripting, coordinating media relations, guiding print ad placement and direct mail programs, analyze retail distribution options, creating retail point of sale displays, PGA Trade Show planning, post sales marketing and charity event integration.

#### **Larry Cadorniga - Advisor**

Larry Cadorniga has served on the Advisory Board since October, 1997. For 22 years, Mr. Cadorniga has been considered one of the leading golf ball scientists in the world. Holder of six patents for Dunlop/Slazenger and Maxfli, including the Maxfli HT Tour Balata, Mr. Cadorniga was Director of New Product Development and R&D for Maxfli. As Director for Research and Development for Titleist, he developed and patented the new Titleist Tour Balata and Pinnacle Gold balls. Mr. Cadorniga also helped develop the reaction molding technology for Titleist that made the Titleist Professional ball possible. Prior to joining Titleist, Mr. Cadorniga was Director of Golf operations for MacGregor, where he developed numerous patents including the MacGregor Muirfield Balata used by Jack Nicklaus to win the 1986 Masters.

## Harold Swash - Advisor

Harold Swash has served on the Advisory Board since February, 1999. Mr. Swash is Europe's most influential putting expert and is known as "Britain's Putting Doctor". Mr. Swash, who has studied the art of putting for 40 years, has served as a teacher to the PGA of Europe; the Curtis Cup Squad; the Spanish, Dutch and Swedish golf federations; and has worked individually with players from the European Ryder Cup Team including Costantino Rocca, Darren Clarke, Lee Westwood and others. He has twice performed the feat of having just 18 putts in a round and his insights are regularly featured in Europe's golf magazines and other national publications.

## Executive Compensation

Larry Phillips and John Sellar served as the only executive officers of Bald Eagle in its most recently completed financial year December 31, 2000 (the "Named Executive Officers"). The following table and notes thereto set forth information concerning the total compensation paid to the Named Executive Officers by Bald Eagle during each of the years in the three year period ended December 31, 2000, as applicable.

Name and Principal Position	Year Ended December 31	Annual Compensation			Long-Term Compensation	
		Salary (US\$)	Bonus (US\$)	Other Annual Compensation (US\$)	Securities Under Options/SAR's Granted (#)	All Other Compensation (US\$)
Larry Phillips President and Chief Executive Officer	2000	Nil	Nil	Nil	Nil	Nil
	1999	62,500	Nil	Nil	239,800	Nil
	1998	51,000	Nil	Nil	Nil	Nil
John Sellar Vice President and Chief Operating Officer	2000	Nil	Nil	Nil	Nil	Nil
	1999	\$62,500	Nil	Nil	239,800	Nil
	1998	17,800 (part-time)	Nil	Nil	Nil	Nil

## Options Granted During the Year Ended December 31, 2000

During the financial year ended December 31, 2000, no stock options were granted to the Named Executive Officers.

## Aggregated Option Exercises During the Year Ended December 31, 2000 and Financial Year-End Option Values

Information respecting options exercised by the Named Executive Officers during the year ended December 31, 2000 and the numbers and accrued value of unexercised stock options held by the Named Executive Officers as at December 31, 2000 are set forth in the following table:

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (US\$)	Unexercised Options at December 31, 2000 (#)		Value of Unexercised in the Money Options at December 31, 2000 (US\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Larry Phillips	Nil	Nil	239,800	Nil	Nil	Nil
John Sellar	Nil	Nil	239,800	Nil	Nil	Nil



## Options to Acquire Eagle Shares

As at December 31, 2000, options entitling the Named Executive Officers and the directors to acquire an aggregate of 479,600 Eagle Shares were outstanding as follows:

Optionee	Number of Eagle Shares Under Option	Date of Grant	Exercise Price Per Eagle Share	Expiry Date
Executive Officers (2)	479,600	January 1, 1999	US\$0.55	January 1, 2004

## Compensation of Directors

The directors of Bald Eagle do not receive any amounts in respect of compensation for their services in their capacity as directors.

## Employment Contracts with Senior Officers

There are no outstanding employment contracts with any of Bald Eagle's officers.

## Warrants

James E. Lewis, one of Bald Eagle's directors, holds 2,374,400 outstanding Eagle Warrants that were granted on September 30, 1998 and which are exercisable up to and ending at 5:00 p.m. (Denver time) on September 30, 2003.

The remaining exercise prices per Eagle Share are as follows:

October 1, 2000 to September 30, 2001: US\$0.5896 per Eagle Share

October 1, 2001 to September 30, 2002: US\$0.6107 per Eagle Share

October 1, 2002 to September 30, 2003: US\$0.6317 per Eagle Share

The Eagle Warrants may be exercised, in whole or in parts equal to not less than 10% of the Eagle Warrants remaining unexercised at any time, or from time to time, during the exercise period by the surrender of such warrants (with a duly executed exercise form specifying the number of warrants to be purchased) at the principal office of Bald Eagle, and by the payment to Bald Eagle of an amount equal to the aggregate exercise price for those warrants.

The exercise of the Eagle Warrants shall be deemed effective immediately prior to the close of business on the business day on which the Eagle Warrants are surrendered to Bald Eagle. In the event that the Eagle Warrants are exercised in part, Bald Eagle at its expense will execute and deliver a new warrant certificate of like tenor exercisable for the number of Eagle Warrants which may still thereafter be exercised.

## Indebtedness of Directors and Senior Officers

None of the directors or senior officers of Bald Eagle (or any proposed nominee for election as a director or any associate of any such persons) was indebted to Bald Eagle or any subsidiary of Bald Eagle at any time during the most recently completed financial year of Bald Eagle. None of such persons is indebted to Bald Eagle as at the date hereof nor does any such person have any indebtedness to another entity that is, or has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding entered into by Bald Eagle.

## Principal Shareholders

The only persons known to Bald Eagle who beneficially own, directly or indirectly, more than 10% of any class of voting securities of Bald Eagle are as follows:

Name	Designation of Class	Type of Ownership	Number of Shares Owned or Controlled	Percentage of Class
James E. Lewis <sup>(1)</sup>	Common	Legal and Beneficial	2,374,400	49.50%
Sellar, LLC <sup>(2)</sup>	Common	Legal and Beneficial	1,142,400	23.82%
International Mining & Finance Company <sup>(3)</sup>	Common	Legal and Beneficial	990,080	20.64%

### Notes:

- (1) Mr. Lewis holds outstanding warrants to purchase 2,374,400 Eagle Shares expiring in September 30, 2003 at exercise prices ranging from U.S.\$0.5896 to U.S.\$0.6317 per Eagle Share.
- (2) A Colorado limited liability corporation controlled by John Sellar. Mr. Sellar also holds 239,800 options to acquire Eagle Shares at an exercise price of U.S.\$0.55 per Eagle Share which expire on January 1, 2004.
- (3) A Colorado corporation controlled by James Askew.

## Escrowed Shares

None of the Eagle Shares are subject to escrow restrictions pursuant to any escrow agreements; however, as a condition of CDNX approval, the Common Shares and Acquisition Warrants to be distributed upon completion of the Proposed Eagle Acquisition will be subject to certain escrow provisions pursuant to an escrow agreement with the Corporation and the Custodian, as escrow agent. See "Escrow Provisions."

## Material Contracts

Other than agreements entered or to be entered into in the ordinary course of business, the only material agreement entered into by Bald Eagle within two years prior to the date hereof is the Acquisition Agreement, copies of which are available for inspection during ordinary business hours at the offices of Bald Eagle at 6045 West Evans Place, Lakewood, Colorado, 80227.

## USE OF PROCEEDS

The net proceeds from the sale of the Units are estimated to be \$1,350,000 after deducting the Agent's fees. The sponsorship fee of \$10,000 and the expenses of the issue estimated at \$50,000 will be paid out of existing working capital. The net proceeds will be used to pursue the business plan of Bald Eagle and for general corporate purposes. In particular the net proceeds of this Offering are planned to be used as follows:



<u>Use</u>	<u>Total Offering</u>
Infomercial, Testing & Media	\$ 675,000
Inventory	\$ 300,000
Office, Administration & Equipment	\$ 282,000
Additions to Working Capital	\$ 93,000
TOTAL:	<u>\$1,350,000</u>

The funds available to the Corporation will be used to produce and test an infomercial featuring the Bald Eagle golf balls and the operation of the Club. See "Business of Bald Eagle – Business Strategy and Marketing Strategy". The Corporation expects to produce and test the infomercial over a period of four months after which, if the testing proves to be positive, the Corporation will advertise on local and national television, principally in the United States and Canada in accordance with its business plan. Assuming the infomercial is successful, the Corporation projects a positive cash flow within eight months of the closing of the Offering. In the event that the testing of the infomercial proves to be unsuccessful, the Corporation will consider other business strategies, including, alternative marketing strategies, the disposition of assets and intellectual property rights, and mergers or acquisitions with others in the golf industry. The Corporation projects that it will have available funds for operations for approximately fifteen months even if the infomercial testing proves to be unsuccessful.

The Corporation intends to spend the funds available to it as stated in this prospectus however, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Corporation to achieve its business objectives.

## PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agent has agreed to offer for sale to the public in the Selling Provinces on a best efforts basis the Units to be sold under the Offering, subject to prior sale if, as and when issued. The Agent is not obligated to purchase Units in connection with the Offering. The duties of the Agent under the Offering are subject to the Agency Agreement. The price of \$0.40 per Unit was determined by negotiation between the Corporation and the Agent. The Agent may retain, as subagents, other registered securities dealers and may obtain subscriptions that have been arranged through such subagents and, in the Agent's discretion, may pay a fee and transfer part of the Agent's Warrants as agreed between the Agent and any such subagent. The Agent may terminate its obligations under the Agency Agreement at its discretion on the basis of its assessment of the state of the financial markets and on the occurrence of certain stated events.

Pursuant to the terms of the Agency Agreement, the Agent will be paid a cash commission equal to 10% of the Subscription Funds and will also be paid a sponsorship fee of \$10,000. The Agent will also receive one Agent's A Warrant for every 10 Units sold pursuant to this Offering and one Agent's B Warrant for every 20 Units sold pursuant to this Offering, and will also be entitled to 150,000 Sponsor's Warrants. The Agent's A Warrants, Agent's B Warrants and the Sponsor's Warrants entitle the holders thereof to acquire one Common Share at a price of \$0.40, \$0.80 and \$0.40, respectively, at any time prior to the Warrant Expiry Time. This prospectus also qualifies the distribution of the Agent's Warrants and Sponsor's Warrants. See "Description of Securities – Common Share Purchase Warrants – Agent's Warrants, Sponsor's Warrants".

All Subscription Funds received by the Agent will be promptly delivered to the Trustee and held by the Trustee pursuant to the Custodian Agreement between the Corporation, the Trustee and the Agent.

The Subscription Funds will be held by the Trustee and invested in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments) pending the completion of the Proposed Eagle Acquisition by the Corporation. In the event that the Proposed Eagle Acquisition is not completed on or before April 30, 2001 or, for any reason, the Proposed Eagle Acquisition is terminated prior to such date, the Corporation will issue a press release and the Subscription Funds will be refunded without interest, deduction or penalty.

All subscriptions will be received subject to rejection or allotment in whole or in part. If a subscription is rejected, the Corporation will promptly return all documents and cheques representing such subscription funds without interest, deduction or penalty.

The securities offered hereby have not been, and will not be, registered under the United States Securities Act of 1933, as amended ("U.S. Securities Act"), or the securities laws of any state in the United States and may not be offered or sold directly or indirectly within the United States or to or for the account of U.S. persons, except in certain transactions exempt from the registration requirements of the U.S. Securities Act.

The Agent's obligation to complete the sale of the Units pursuant to the Agency Agreement is subject to a number of conditions as more particularly described in the Agency Agreement, including the giving by the Corporation to the Agent of certain representations and warranties typical in a transaction of this nature and the provision by the Corporation to the Agent of evidence satisfactory to the Agent that the Corporation has received all necessary approvals for the listing of the Common Shares on the CDNX.

It is expected that certificates for the Common Shares and Purchase Warrants will be available for delivery on closing of the Offering which is expected to occur on or about April 26, 2001, or such later date as may be agreed to by the Corporation and the Agent.

## **TRANSITION TO CDNX**

Following the merger of the WSE with the CDNX, the Common Shares were listed on the CDNX. Pursuant to CDNX Policy 6.3 – "Transitional Provisions for WSE Issuers and Prospective WSE Issuers", in order to utilize the WSE Keystone Company policies, the Corporation submitted a complete CDNX Application (as that term is defined in CDNX Policy 6.3) and received conditional approval for its Major Transaction from the CDNX. The Corporation must successfully comply with all conditions imposed upon it by the CDNX and complete this Offering and the Major Transaction by April 30, 2001 or it may be required to conduct a "Qualifying Transaction" in accordance with the CDNX Capital Pool Company Program. Certain minimum requirements, including minimum listing requirements, tend to be higher under CDNX rules and policies. The Corporation applied for and received from the Manitoba Securities Commission an order under Section 20 of the Manitoba Act exempting the Corporation from the requirement under Policy 44-501 that the Major Transaction be an acquisition of a Canadian target so that the Proposed Eagle Acquisition could be completed as the Major Transaction of the Corporation.

In the event that the Corporation completes a Major Transaction in accordance with the WSE Keystone Company policies but does not, as a consequence, meet CDNX Tier 2 maintenance requirements, the Corporation will be designated as "Inactive". In such an event, the Corporation will be given 18 months to attempt to attain Tier 2 maintenance requirements and to be reinstated for trading on CDNX. If the Corporation is designated Inactive and does not meet Tier 2 maintenance requirements within the 18 month period, trading will be suspended and the Common Shares may be delisted. There can be no assurance that such requirements can or will be met.



## DETAILS OF THE OFFERING

Each Unit is comprised of one Common Share and one-half of a Purchase Warrant. Each whole Purchase Warrant entitles the holder thereof to acquire one Common Share upon payment of the exercise price of \$0.80 at any time prior to the Warrant Expiry Time. Any Purchase Warrants not exercised prior to the Warrant Expiry Time will terminate as of such time and will be of no further force or effect.

The Purchase Warrants, together with the Agent's Warrants and Sponsor's Warrants (collectively the "Indenture Warrants"), shall be created under and governed by the Indenture. Indenture Warrants will be evidenced by fully registered certificates. A register of holders will be maintained at the principal office of Olympia Trust in Calgary, Alberta. The Indenture will provide that one or more certificates may be exchanged for one or more certificates of different denominations evidencing in the aggregate the same number of Indenture Warrants as the certificate or certificates being exchanged.

Holders of Indenture Warrants will be entitled to the benefit of, will be bound by and will be deemed to have notice of, the Indenture. A copy of the Indenture will be available for review at the offices of either the Corporation in Winnipeg, Manitoba or the offices of Bennett Jones LLP in Calgary, Alberta during ordinary business hours from the date of this Prospectus until the date of Closing. The following is a summary of, and is subject to the detailed provisions of, the Indenture.

The Indenture will provide that the number of Common Shares issuable upon exercise of the Warrants and the exercise price of the Indenture Warrants are subject to adjustment in certain events, including:

- (a) the subdivision or consolidation of the Common Shares or the issue of Common Shares or securities convertible or exchangeable into Common Shares to all or substantially all of the holders of Common Shares by way of a stock dividend other than an issue of Common Shares to such holders as a "Dividend Paid in the Ordinary Course" (as defined in the Indenture);
- (b) the issue of rights, options or warrants to all of or substantially all of the holders of Common Shares entitling them within a period of not more than 45 days after the date of issue to acquire (i) Common Shares at less than 90 percent of the "Current Market Price" (as defined in the Indenture) of the Common Shares, or (ii) securities convertible or exchangeable into Common Shares where the conversion price at the date of issue of such convertible securities is less than 90 percent of the "Current Market Price" of the Common Shares; and
- (c) the distribution to all or substantially all of the holders of Common Shares of (i) shares of any other class whether of the Corporation or any other corporation, (ii) rights, options or warrants (other than those referred to above), or (iii) evidences of indebtedness or of other assets, excluding in any of such cases "Dividends Paid in the Ordinary Course" (as defined in the Indenture).

The Indenture will also provide that if there is (a) any reclassification or change of the Common Shares into other shares, (b) any consolidation, amalgamation, arrangement or other business combination of the Corporation resulting in any reclassification or change of the Common Shares into other shares, or (c) any sale, lease, exchange or transfer of the assets of the Corporation as an entity or substantially as an entirety to another entity, then each holder of an Indenture Warrant which is thereafter exercised will be entitled to receive, in lieu of Common Shares, the kind and number or amount of other

securities or property which such holder would have been entitled to receive as a result of such event if such holder had exercised the Indenture Warrants prior to the event.

No adjustment in the exercise price of any of the Indenture Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would change the exercise price of the Indenture Warrants by at least one percent.

The Corporation will also covenant in the Indenture that, during the period in which the Indenture Warrants are exercisable, it will give public notice of certain stated events at least 14 days prior to the record date or the effective date, as the case may be, of such event.

To the extent that the holder of an Indenture Warrant would otherwise be entitled to purchase a fraction of a Common Share, such right may be exercised only in combination with other rights which, in the aggregate, entitle the holder to purchase a whole number of Common Shares. No adjustments as to dividends will be made upon any exercise of Indenture Warrants. Holders of Indenture Warrants do not have any voting or pre-emptive rights or any other rights as shareholders of the Corporation.

Once issued, holders of Indenture Warrants who wish to exercise the Indenture Warrants held by them should complete the exercise form attached to the Indenture Warrant certificates and deliver the certificates and the completed exercise form to Olympia Trust at its principal office in Calgary, Alberta. Subsequent to the Warrant Expiry Time, Indenture Warrant certificates will cease to evidence Indenture Warrants and will represent only the right of the registered holder to receive certificates for the applicable number of Common Shares.

## DESCRIPTION OF SECURITIES

The Corporation is authorized to issue an unlimited number of Class A Common Voting Shares, Class B Common Shares, Class C Preference Shares issuable in series and Class D Preference Shares issuable in series. 2,003,000 Class A Common Shares are issued and outstanding as fully paid and non-assessable as of the date hereof. There are no Class B Common Shares and no Preference Shares issued and outstanding at this time. As at the date hereof, 300,000 Common Shares have been reserved for issuance upon the exercise of outstanding stock options. See "Options to Purchase Securities".

### Common Shares

#### *Class A Common Voting Shares*

The holders of the Common Shares are entitled to dividends, if, as and when declared by the board of directors, to one vote per share at meetings of the shareholders of the Corporation and, upon liquidation, to receive such assets of the Corporation as are distributable to the holders of the Common Shares. All of the Common Shares to be outstanding on completion of this Offering will be fully paid and non-assessable.

#### *Class B Common Shares*

The Corporation may not issue Class B Common Shares prior to the completion of the Major Transaction. The holders of the Class B Common shares are entitled to dividends, if, as and when declared thereon by the board of directors and, upon liquidation, to receive such assets of the Corporation as are distributable to the holders of the Common Shares. In every respect the Class A Voting Common



Shares and the Class B Common Shares rank equally save that the holders of Class B Common Shares do not have voting rights.

*Class C Preference Shares and Class D Preference Shares (the "Preference Shares")*

The Corporation may not issue Preference Shares prior to the completion of the Major Transaction. The Preference Shares may be issued from time to time in one or more series, each consisting of a number of Preference Shares as determined by the Board of Directors of the Corporation who also may fix the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of Preference Shares. The Preference Shares of each series shall, with respect to payment of dividends and distributions of assets in the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, rank on a preference over the Common Shares and the shares of any other class ranking junior to the Preference Shares. The Class C Preference Shares carry the right to vote and the Class D Preference Shares do not carry the right to vote. On the liquidation, dissolution or winding-up of the Corporation, and as regards dividends, the Class C Preference Shares have priority over the holders of all of the other classes of shares in the capital stock of the Corporation including the Common Shares and the Class B Common Shares. On the liquidation, dissolution or winding-up of the Corporation, and as regards dividends, the Class D Preference Shares have priority over the holders of the Common Shares and the Class B Common Shares in the capital stock of the Corporation.

At the special meeting of Shareholders held on March 13, 2001, the Shareholders agreed to, among other things, reclassify the Class A Common Voting Shares as "Common Shares", delete the Class B Common Shares and the Class C Preference Shares, and change the designation of the Class D Preference Shares to "Preferred Shares." The Corporation will file Articles of Amendment to reclassify its share capital prior to completing this Offering.

## **Warrants**

### *Purchase Warrants*

Each whole Purchase Warrant will entitle the holder to subscribe for and purchase one Common Share, subject to adjustment, at any time and from time to time prior to the Warrant Expiry Time, upon payment to the Corporation of \$0.80.

### *Agent's A Warrants*

Pursuant to the terms of the Agency Agreement, the Agent will receive one Agent's A Warrant for every 10 Units sold pursuant to this Offering. No fractional Agent's A Warrants will be issued. Each Agent's A Warrant will entitle the holder to subscribe for and purchase one Common Share, subject to adjustment, at any time and from time to time prior to the Warrant Expiry Time, upon payment to the Corporation of \$0.40.

### *Agent's B Warrants*

Pursuant to the terms of the Agency Agreement, the Agent will receive one Agent's B Warrant for every 20 Units sold pursuant to this Offering. No fractional Agent's B Warrants will be issued. Each Agent's B Warrant will entitle the holder to subscribe for and purchase one Common Share, subject to adjustment, at any time and from time to time prior to the Warrant Expiry Time, upon payment to the Corporation of \$0.80.

### *Sponsor's Warrants*

The Corporation has agreed to issue the Agent 150,000 Sponsor's Warrants as payment for its sponsorship of the Corporation for listing on the CDNX. Each Sponsor's Warrant will be issued pursuant to the Indenture and will entitle the holder to subscribe for and purchase one Common Share, subject to adjustment, at any time and from time to time prior to the Warrant Expiry Time, upon payment to the Corporation of \$0.40.

### *Acquisition Warrants*

Pursuant to the terms of the Acquisition Agreement, 2,854,000 acquisition warrants ("Acquisition Warrants") will be issued to the holders of Eagle Warrants or Eagle Options on the basis of one Acquisition Warrant for each Eagle Option or Eagle Warrant. Each Acquisition Warrant will be issued pursuant to the Indenture and will entitle the holder thereof to acquire one Common Share, subject to adjustment, at any time prior to 4:00 p.m. (Calgary time) on the day which is 24 months after the closing of the Proposed Eagle Acquisition, upon payment to the Corporation of \$0.80. The distribution of the Acquisition Warrants is also qualified by this prospectus.

### *Finder's Fee Warrants*

On the closing of the Proposed Eagle Acquisition, 300,000 finder's fee warrants ("Finder's Fee Warrants") will be issued to each of DMT Capital Corp. and Merchant Equities Capital Corporation as a finders fee, being a total of 600,000 Finder's Fee Warrants. Each Finder's Fee Warrant will entitle the holder thereof to acquire one Common Share, subject to adjustment, at any time prior to 4:00 p.m. (Calgary time) on the day which is 24 months after the closing of the Proposed Eagle Acquisition, upon payment to the Corporation of \$0.20. The distribution of the Finder's Fee Warrants is also qualified by this prospectus.

## **CONSOLIDATED CAPITALIZATION**

The following table sets forth the consolidated capital structure of the Corporation as at December 31, 2000, both before and after giving effect to the Offering and the completion of the Proposed Eagle Acquisition:

Description	Outstanding as at December 31, 2000 (audited)	Outstanding as at December 31, 2000 after giving effect to the Offering <sup>(1)</sup>	Outstanding as at December 31, 2000 after giving effect to the Offering and the Proposed Eagle Acquisition <sup>(1)(2)</sup>
Long Term Debt	nil	nil	nil
Common Shares <sup>(3)</sup> (authorized – unlimited)	\$300,000 (2,000,000 Shares)	\$1,800,600 (5,753,000 Shares)	\$4,364,432 (11,631,000 Shares)
Class B Common Shares <sup>(4)</sup> (authorized – unlimited)	nil	nil	nil
Class C Preference Shares <sup>(4)</sup> (authorized – unlimited)	nil	nil	nil
Class D Preference Shares <sup>(4)</sup> (authorized – unlimited)	nil	nil	nil



**Notes:**

- (1) Assumes 3,750,000 Units are issued pursuant to the Offering.
- (2) Does not include 777,000 stock options (See "Options to Purchase Securities") and up to 6,041,500 Common Share purchase warrants (See "Description of Securities – Warrants") which will be outstanding upon completion of the Proposed Eagle Acquisition.
- (3) The Corporation has outstanding 297,000 options to purchase Common Shares of the Corporation at an exercise price of \$0.20 per Common Share which options were granted to the Agent, as to 100,000 thereof in connection with the Corporation's initial prospectus offering and of which 3,000 have been exercised, and to the founding directors of the Corporation as to 200,000 thereof pursuant to the Stock Option Plan.
- (4) At the special meeting of Shareholders held on March 13, 2001, the Shareholders agreed to eliminate these classes of securities from the Corporation's capital structure and to replace them with a single class of preferred shares, unlimited in number and issuable in series. The Corporation will file Articles of Amendment to reclassify its share capital prior to completing this Offering.
- (5) As at December 31, 2000, the Corporation had a deficit of \$5,968.

## **OPTIONS TO PURCHASE SECURITIES**

### **Stock Options**

The Board of Directors of the Corporation adopted a Stock Option Plan (the "Stock Option Plan") for the Corporation. Pursuant to the Stock Option Plan, the Board of Directors of the Corporation may allocate non-transferable options to purchase common shares of the Corporation to directors, officers and employees of the Corporation and its subsidiaries (the "Stock Options").

The aggregate number of shares to be delivered upon the exercise of Stock Options granted thereunder may not exceed 10% of the issued Common Shares at the time of granting the options, the aggregate number of shares to be delivered upon exercise of the options granted thereunder to any one individual shall not exceed 5% of the issued Common Shares, and the exercise price can only be at such price permitted by the stock exchange on which the Corporation's shares are listed. Stock Options were granted in accordance with the Stock Option Plan on September 18, 2000 to those officers set out in the chart below. Pursuant to a resolution of the Board of Directors of the Corporation, 200,000 Common Shares were reserved for issuance in respect of the exercise of such Stock Options granted under the Stock Option Plan.

All shares acquired on exercise of the Stock Options prior to the Corporation's Major Transaction, when acquired, shall be subject to escrow. These options are non-transferable and will expire, if not exercised, one year following the date the optionee ceases to be a director or hold an office of the Corporation by reason of death or ninety days after ceasing to be a director or officer for any reason other than death.

<u>Optionee</u>	<u>Number of Common Shares Under Option</u>	<u>Date of Agreement or Grant</u>	<u>Exercise Price Per Common Share</u>	<u>Expiry Date</u>
Directors who are not officers (0 individuals)	nil	--	--	--
Officers (3 individuals)	200,000	September 18, 2000	\$0.20	September 18, 2005
Employees (who are not also officers) (0 individuals)	<u>nil</u>	--	--	--
Total	<u>200,000</u>			

The Corporation has, subject to approval by the CDNIX, agreed to issue 713,500 Stock Options on completion of the Proposed Eagle Acquisition. Following the Proposed Eagle Acquisition, the Corporation will have the following Stock Options issued and outstanding:

<u>Optionee</u>	<u>Number of Common Shares Under Option</u>	<u>Date of Agreement or Grant</u>	<u>Exercise Price Per Common Share</u>	<u>Expiry Date</u>
Directors who are not officers (4 individuals)	520,000	Closing of the Proposed Eagle Acquisition	\$0.80	Five years from the date of grant
Officers (2 individuals)	63,500	September 18, 2000	\$0.20	September 18, 2005
	193,500	Closing of the Proposed Eagle Acquisition	\$0.80	Five years from the date of grant
Total	<u>777,000<sup>(1)</sup></u>			

**Note:**

- (1) Assumes the new directors set out herein are elected by the Fairview Shareholders. In addition, 136,500 options are attributable to officers who will no longer be with the Corporation and such options will expire in accordance with these terms if not exercised.

### Agent's Option

On September 18, 2000, the Agent, as the agent for the Corporation's initial public offering was granted, pursuant to an agency agreement between the Agent and the Corporation, a single non-transferrable and non-tradeable common share purchase option exercisable, in whole or in part, into 100,000 of Common Shares at a price of \$0.20 per Common Share, being equal to ten (10%) percent of the number of Common Shares sold under the Corporation's initial public offering. Such option is exercisable for a period ending 18 months from the initial date of listing of the Common Shares on the CDNIX. Pursuant to the Manitoba Securities Commission Rule 44-501, this option may be exercised in whole or in part prior to the completion of the Corporation's Major Transaction, provided that no more than 50% of the aggregate amount of the Common Shares into which such option is exercisable may be sold by the agent prior to the completion of the Major Transaction. The remaining 50% of the Common Shares may only be sold after completion of the Major Transaction. On March 9, 2001, the Agent exercised its option to acquire 3,000 Common Shares.

### PRINCIPAL SHAREHOLDERS

The following table lists those persons who (to the knowledge of the Corporation) beneficially own, directly or indirectly, in excess of 10% of the issued and outstanding Common Shares as at the date hereof.

<u>Name and Municipality of Residence</u>	<u>Type of Ownership</u>	<u>Number of Common Shares owned as at the date hereof</u>	<u>%<sup>(4)</sup></u>	<u>Number of Common Shares owned after giving effect to the Offering</u>	<u>%<sup>(5)</sup></u>	<u>Number of Common Shares owned after giving effect to this Offering and the Proposed Eagle Acquisition</u>	<u>%<sup>(6)</sup></u>
M. Ross Orr <sup>(1)</sup> Toronto, Ontario	of record and beneficially	340,000	17%	340,000	6%	340,000	3%
Sharon L. Standen <sup>(2)</sup> Calgary, Alberta	of record and beneficially	330,000	16.5%	330,000	6%	330,000	3%



Name and Municipality of Residence	Type of Ownership	Number of Common Shares owned as at the date hereof	% <sup>(4)</sup>	Number of Common Shares owned after giving effect to the Offering	% <sup>(5)</sup>	Number of Common Shares owned after giving effect to this Offering and the Proposed Eagle Acquisition	% <sup>(6)</sup>
Wesley A. Pajunen <sup>(3)</sup> Calgary, Alberta	of record and beneficially	349,500	17.5%	349,500	6%	349,500	3%
James E. Lewis Denver, Colorado	of record and beneficially	nil	n/a	nil	n/a	2,374,400	20%
Sellar, LLC Lakewood, Colorado	of record and beneficially	nil	n/a	nil	n/a	1,142,400	10%

**Notes:**

- (1) Mr. Orr has been granted options to purchase an additional 67,000 Common Shares.
- (2) Ms. Standen has been granted options to purchase an additional 66,500 Common Shares.
- (3) Mr. Pajunen has been granted options to purchase an additional 66,500 Common Shares. Of the 349,500 Common Shares beneficially owned by Mr. Pajunen, 19,500 Common Shares are held by Trimaster Consulting Inc., a company controlled by Mr. Pajunen and his spouse.
- (4) Based on a total of 2,003,000 outstanding Common Shares prior to the Proposed Eagle Acquisition.
- (5) Based on a total of 5,753,000 outstanding Common Shares after the Offering and prior to the Proposed Eagle Acquisition.
- (6) Based on a total of 11,631,000 outstanding Common Shares after both the Offering and the Proposed Eagle Acquisition.

## DIRECTORS AND OFFICERS OF THE CORPORATION

The name, municipality of residence, position held and principal occupation for the last five years of each director and officer of the Corporation is set out below:

Name and Municipality of Residence	Position	Principal Occupation for the Last Five Years	Common Shares Beneficially Owned or over which Control or Direction is Exercised
M. Ross Orr Toronto, Ontario	President and Director	Since April 2000, a Managing Director of CC Capital Partners Inc., a private venture capital consulting firm. Prior thereto from June 1992, President of Canadian Energy Funding, a private venture capital and management consulting firm, whose activities are now carried out through CC Capital Partners Inc.	340,000
Sharon L. Standen Calgary, Alberta	Treasurer and Director	Since 1978, General Manager of Kinghorn Resources Ltd. a private oil and gas management consulting corporation in Calgary, Alberta.	330,000

<b>Name and Municipality of Residence</b>	<b>Position</b>	<b>Principal Occupation for the Last Five Years</b>	<b>Common Shares Beneficially Owned or over which Control or Direction is Exercised</b>
Wesley A. Pajunen Calgary, Alberta	Secretary and Director	Since September 1998, President of CaddyShak Golf Enterprises Ltd., a private corporation which distributes golf products and services over the internet. In addition, the Chief Executive Officer of ITP Web Solutions Inc. a private internet and wireless application development Corporation, since August 2000. From April 1995 to March 2000, Vice-President of Business Development for Burnsand Inc., an e-Business Solutions Integrator focusing on Business to Business applications which trades on the Toronto Stock Exchange.	349,500 <sup>(1)</sup>

**Note:**

- (1) Of these Common Shares, 19,500 are held by Trimaster Consulting Inc., a company controlled by Mr. Pajunen and his spouse.

Subject to approval by the shareholders of the Corporation at the shareholders meeting called to approve the Proposed Eagle Acquisition as the Corporation's Major Transaction, the following individuals are expected to be elected directors of the Corporation on completion of the acquisition of Bald Eagle:

<b>Name and Municipality of Residence</b>	<b>Principal Occupation or Employment</b>	<b>Common Shares Beneficially Owned or over which Control or Direction is Exercised</b>	<b>Common Shares Beneficially Owned or over which Control or Direction is Exercised After Completion of Major Transaction</b>
James Askew Denver, Colorado	Chief Executive Officer of Black Range Minerals, Australia, from November 1999 to present. Chief Executive Officer of Golden Star Resources Inc., Denver, Colorado, from April 1999 to October 1999. Chief Executive Officer of Rayrock Resources, Toronto, Ontario, from September 1998 to April 1999. Chairman of International Mining & Finance Company from February 1996 to present.	Nil	990,080 <sup>(1)</sup>
John Sellar Denver, Colorado	Chief Operating Officer of Bald Eagle from November 1996 to present. Director of Rajong Resources (Deloro Minerals ASX) from April 1996 to March 1993. Vice-President of Operations of Touchstone Mining Inc. from June 1993 to April 1998.	Nil	1,142,400 <sup>(2)</sup>
Wesley A. Pajunen Calgary, Alberta	Since September 1998, Mr. Pajunen has been the President of CaddyShak Golf Enterprises Ltd., a private company which distributes golf products and services over the internet. In addition, the Chief Executive Officer of ITP Web Solutions Inc. a private internet and wireless application development company, since August 2000. From April 1995 to March 2000, Mr. Pajunen was the Vice-President of Business Development for	349,500	349,500 <sup>(3)</sup>



<b>Name and Municipality of Residence</b>	<b>Principal Occupation or Employment</b>	<b>Common Shares Beneficially Owned or over which Control or Direction is Exercised</b>	<b>Common Shares Beneficially Owned or over which Control or Direction is Exercised After Completion of Major Transaction</b>
	Burntsand Inc., an e-Business Solutions Integrator focusing on Business to Business applications which trades on the Toronto Stock Exchange		
James R. Harrison Indio, California	Chief Executive Officer of Harrison Direct from August of 1997 to present; Prior thereto, Executive Vice-President of Alien Sport Inc. from December of 1993 to August of 1997.	Nil	Nil
Eric Leslie Calgary, Alberta	Since 1991, President of Merchant Equities Capital Corp, a private management company. Since February of 1995, President of Merchant Equities Investments Inc., a private company.	Nil	Nil <sup>(4)</sup>
David M. Thom Calgary, Alberta	Since February 1995, Vice-President of Merchant Equities Investments Inc., a private company which provides management, venture capital financing, and financial workout and restructuring consulting services. Since October 1993, President of DMT Capital Corp., and since July 1993, Vice-President of Merchant Equities Capital Corp., both private management companies.	Nil	Nil <sup>(5)</sup>

**Notes:**

- (1) Indirectly owned by James Askew through International Mining & Finance Company, a Colorado corporation controlled by Mr. Askew.
- (2) Indirectly owned by John Sellar through Sellar, LLC, a Colorado limited liability corporation controlled by Mr. Sellar.
- (3) Mr. Pajunen has been granted options to purchase an additional 66,500 Common Shares. Of the 349,500 Common Shares beneficially owned by Mr. Pajunen, 19,500 Common Shares are held by Trimaster Consulting Inc., a company controlled by Mr. Pajunen and his spouse.
- (4) 300,000 Finder's Fee Warrants will be issued to Merchant Equities Capital Corp., a company controlled by Mr. Leslie.
- (5) 300,000 Finder's Fee Warrants will be issued to DMT Capital Corp., a company controlled by Mr. Thom.

The current directors and officers, or associates or affiliates of the directors and officers, as a group beneficially own and control 1,019,500 Common Shares which represent 51% of the issued Common Shares before giving effect to this Offering and will represent approximately 18% of the issued Common Shares after giving effect to this Offering (assuming the maximum is achieved) and will represent approximately 9% of the issued Common Shares subsequent to both the Offering (assuming the maximum is achieved) and the Proposed Eagle Acquisition.

## **MANAGEMENT AFTER COMPLETION OF THE PROPOSED EAGLE ACQUISITION**

**John Sellar - President, Chief Executive Officer and Chairman of the Board of Directors.** John Sellar is currently serving as Vice President, Chief Operating Officer and Chairman of the Board of Directors. Mr. Sellar is the founder of Bald Eagle and the inventor of the Bald Eagle technology. See "Information Concerning Bald Eagle – Management and Key Personnel".

**James Askew – Director.** James Askew has served on the Board of Directors of Bald Eagle since December, 1996. He is the owner of International Mining & Finance Company, a venture capital and

private investment group, which in turn is a principal shareholder in Bald Eagle. He is currently Chief Executive Officer of Black Range Minerals Limited, based in Sydney, Australia and is a non-executive director of Ausdrill Ltd. (ASX), a non-executive director of Golden Star Resources Inc. (AMEX and TSE), and non-executive director of Semafo Inc. (TSE). See "Information Concerning Bald Eagle – Management and Key Personnel".

**James Harrison – Director.** James Harrison is the marketing consultant for Bald Eagle. He also established and is the principal of a market consulting firm, Harrison Direct. In 1993, Mr. Harrison Co-Founded Alien Sport, Inc. and ran both the marketing and product development functions. See "Information Concerning Bald Eagle – Management and Key Personnel".

**Wesley A. Pajunen - Secretary and Director.** Since September 1998 Mr. Pajunen has been the President of CaddyShak Golf Enterprises Ltd., a private Corporation which distributes golf products and services over the internet. Mr. Pajunen has also been the Chief Executive Officer of ITP Web Solutions Inc. a private internet and wireless application development Corporation, since August 2000 and from April 1995 to March 2000, Mr. Pajunen was the Vice-President of Business Development for Burntsand Inc., an eBusiness Solutions Integrator focusing on Business to Business applications which trades on the TSE.

**David Thom – Chief Financial Officer and Director.** Since February 1995 Mr. Thom has been the Vice-President of Merchant Equities Investments Inc., a private company which provides management, venture capital financing, and financial workout and restructuring consulting services. Since October of 1993, he has been the President of DMT Capital Corp. and since July 1993 he has been Vice-President of Merchant Equities Capital Corp.; both private management companies. Prior thereto, Mr. Thom was the Alberta Branch Manager of CANA Construction Co. Ltd., a private company, from 1989 to 1992. He holds a M.B.A. from the University of Western Ontario and a B.Sc. in Civil Engineering from Queen's University. Mr. Thom is a director of Axis.Port Inc., C2C Mining Corporation, and Clement Systems Inc., and is a former director of Petro Field Industries Inc.; Chief Financial Officer and Secretary of Clement Systems Inc. and a former Vice-President of Samson Healthcare Corp., all of which are listed on the CDNX. Due to the nature of his role with Merchant Equities Investments Inc., Mr. Thom was a director and officer of Bromley Marr ECOS Inc. immediately prior to the time of events that led to the appointment of a Receiver, and was a director and officer of Service Track Enterprises Inc. immediately prior to the time of events that led to its insolvency. Additionally, he was a director and officer of Clement Systems Inc. and caused that company to file a Proposal to its Creditors, and continues to manage a restructuring of that company's affairs. As part of an effort to restructure and revitalize Oakhill Communications Inc., Mr. Thom became an officer and director of that company, subsequent to the imposition of a Cease Trade by the Alberta Securities Commission for failure to file financial statements. Mr. Thom's expertise is in the areas of corporate strategy, operations management and finance.

**Eric Leslie– Director.** Since February 1995 Mr. Leslie has been the President of Merchant Equities Investments Inc., a private company which provides management, venture capital financing, and financial workout and restructuring consulting services. Since June 1991 he has been President of Merchant Equities Capital Corp.; a private management company. He holds a B.A. from the University of Western Ontario. Mr. Leslie is a director of C2C Mining Corporation, Priva Inc. and Samson Healthcare Corp., and is a former director and officer of Petro Field Industries Inc., all of which are listed on the CDNX. Due to the nature of his role with Merchant Equities Investments Inc., Mr. Leslie was a director and officer of Service Track Enterprises Inc. immediately prior to the time of events that led to its insolvency. As part of an effort to restructure and revitalize Oakhill Communications Inc., Mr. Leslie became an officer and director of that company, subsequent to the imposition of a Cease Trade by the Alberta Securities Commission for failure to file financial statements. Mr. Leslie's expertise is in the areas of corporate strategy, operations management and finance.



## EXECUTIVE COMPENSATION

The Corporation was incorporated in May 10, 2000 and since the date of incorporation, no compensation has been paid to the directors and officers other than the granting of stock options. See "Options to Purchase Securities".

## PRIOR SALES

During the period of time from the 12 months preceding the date hereof, the Corporation has issued the following Common Shares:

<u>Date</u>	<u>Description</u>	<u>Number of Common Shares</u>	<u>Price</u>	<u>Gross Proceeds</u>
June 26, 2000	Incorporation	1,000,000	\$0.10	\$100,000
September 18, 2000	Initial public offering	1,000,000	\$0.20	\$200,000
March 9, 2001	Exercise of options	3,000	\$0.20	\$600
	Total Common Shares	<u>2,003,000</u>		<u>\$300,600</u>

## TRADING HISTORY OF COMMON SHARES

The Common Shares commenced trading on the WSE on September 22, 2000 under the trading symbol "FA.K" and ceased trading on such exchange at the end of business on November 24, 2000, upon the merger of the WSE with the CDNX. Subsequent thereto, its Common Shares have traded on the CDNX under the same symbol. The following table sets forth the reported high and low sales prices (which are not necessarily the closing prices) and volume of trading of the Common Shares as reported by the WSE for the periods indicated:

	<u>Price Range</u>		<u>Trading Volume</u>
	<u>High</u>	<u>Low</u>	
<b>2000</b>			
September (22 to 30)	0.35	0.30	268,250
October	0.39	0.25	32,500
November (1 to 24)			Nil

The Common Shares commenced trading on the CDNX on November 27, 2000 under the trading symbol "FA.K". The following table sets forth the reported high and low sales prices (which are not necessarily the closing prices) and volume of trading of the Common Shares as reported by the CDNX for the periods indicated:

	<u>Price Range</u>		<u>Trading Volume</u>
	<u>High</u>	<u>Low</u>	
<b>2000</b>			
November (27 to 30)	0.40	0.30	7,000
December	0.50	0.35	50,000
<b>2001</b>			
January	0.60	0.30	129,500
February	0.37	0.30	80,000
March	0.45	0.25	53,500
April (1-6)	0.32	0.32	5,500

The closing price of the Common Shares on the CDNX on April 5, 2001, the last day upon which the Common Shares traded prior to the date hereof, was \$0.32.

### ESCROW PROVISIONS

Designation Of Class	Number of Securities Held in Escrow	Percentage of Class Outstanding	Percentage of Class After Giving Effect to the Offering	Percentage of Class After Giving Effect to the Offering and the Proposed Eagle Acquisition
Common Shares	1,000,000	50%	17%	9%

All of the Common Shares beneficially owned, directly or indirectly, at the time of the Corporation's initial public offering, acquired thereunder and acquired, upon the exercise of options, prior to completion of a Major Transaction by the promoters, officers, directors, other insiders of the Corporation and associates or affiliates of these persons (the "**Related Parties**"), are held in escrow pursuant to an agreement in compliance with Manitoba Securities Commission Rule 44-501. All securities of the Corporation acquired in the secondary market prior to a Major Transaction by a Control Person shall be held in escrow.

Upon the Corporation completing a Major Transaction, other than a private placement, the escrowed securities shall be released as to one-third (1/3) on each of the first, second and third anniversary dates of the completion of a Major Transaction. If a Major Transaction (other than a private placement) is not completed, the escrowed securities shall not be released. If a Related Party acquires shares in a Major Transaction (other than a Private Placement), then those securities shall be held in escrow and released as to 1/3 on each of the first, second and third anniversaries of the completion of a Major Transaction. Securities acquired in a Private Placement by a Control Person (determined after giving effect to the Private Placement) shall be held in escrow and shall be released as to 1/3 on each of the first, second and third anniversaries of the completion of a Major Transaction. Except with the written consent of the Director of the Manitoba Securities Commission, escrowed securities may not be sold, assigned, hypothecated, transferred within escrow or otherwise dealt with in any manner.

All shares held in escrow will be deposited with the Trustee, pursuant to an escrow agreement which provides, in addition to the provisions set forth above, that all voting rights attached to escrowed securities shall be exercised by the registered holder of the shares.

In addition to the foregoing, securities issued by the Corporation in connection with the Major Transaction which will be held by Principals (as defined in CDNX Policy 5.4) of the Corporation upon completion of the Major Transaction must be placed in escrow and will be released in accordance with the minimum requirements of the CDNX being a 10% release following issuance by the CDNX of the final exchange notice ("Exchange Notice") of the Major Transaction, and 15% releases on each of the 6, 12, 18, 24, 30 and 36 month anniversaries of the Exchange Notice. The following table lists the securities of the Corporation which will be held in escrow pursuant to a value security escrow agreement to be entered into on the Closing Date among the Corporation, Olympia Trust Company and certain security holders of the Corporation:

Name	Securities	Percentage of Class <sup>(1)</sup>
Sellar, LLC <sup>(1)</sup>	1,142,400 Common Shares	9.8%
	239,800 Acquisition Warrants	8.4%



Name	Securities		Percentage of Class <sup>(1)</sup>
International Mining and Finance Corporation <sup>(2)</sup>	990,080	Common Shares	8.5%
Merchant Equities Capital Corp. <sup>(3)</sup>	150,000	Finders Fee Warrants	25.0%
DMT Capital Corp. <sup>(4)</sup>	150,000	Finders Fee Warrants	25.0%
James Lewis	2,374,400	Common Shares	20.4%
	2,374,400	Acquisition Warrants	83.2%

**Notes:**

- (1) A Colorado limited liability corporation controlled by John Sellar.
- (2) A Colorado corporation controlled by James Askew.
- (3) A company controlled by Eric Leslie.
- (4) A company controlled by David Thom.
- (5) Determined based on 11,628,000 Common Shares, 2,854,000 Acquisition Warrants and 600,000 Finder's Fee Warrants being issued and outstanding in the capital of the Corporation after giving effect to the Concurrent Financing and the Major Transaction.

## INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

Except as otherwise described herein, no director or officer of the Corporation or any associate or affiliate of the foregoing, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction since the date of incorporation, or in any proposed transaction which has materially affected or will materially affect the Corporation.

## INDEBTEDNESS OF THE CORPORATION

No officer or director of the Corporation, or any of their associates or affiliates, have been or are currently indebted to the Corporation.

## DILUTION

Subscribers for Units offered hereby will incur immediate dilution, being the difference between the issue price and the net tangible consolidated book value of each Common Share of the Corporation after giving effect to this Offering. The following table sets forth the dilution per Common Share as at December 31, 2000, after giving effect to the Proposed Eagle Acquisition, based on the financial statements of the Corporation as at that date:

	After Giving Effect to the Proposed Eagle Acquisition
Unit offering price	\$0.400
Net tangible book value before offering	\$0.100
Net tangible book value after offering	\$0.082
Dilution to subscribers	\$0.318
Percentage of dilution in relation to the offering price	79.5%

## **DIVIDEND POLICY**

No dividends have been paid on any shares of the Corporation since the date of its incorporation and its not contemplated that any dividends will be paid in the immediate or foreseeable future.

## **RISK FACTORS**

An investment in the Units involves a number of significant risks and should be considered to be speculative due to the nature of the Corporation's business and its present stage of development. There is no assurance of a return on or repayment of a subscriber's capital contribution to the Corporation. In addition to the other information contained herein, including that set out under "Information Concerning Bald Eagle", Subscribers should consider the following factors.

### **Significant Capital Requirements**

The Corporation may require substantial capital to pursue its business opportunities. There is no assurance that the Corporation will be able to obtain additional financing if required.

### **Dependence on Key Personnel**

The success of the Corporation is dependent upon, among other things, the services of the Chief Executive Officer and the Chief Financial Officer. The loss of the services of these personnel for any reason could have a material adverse effect on the prospects of the Corporation. The Corporation does not currently have key man insurance for any of its officers and directors. In addition, the future success of the Corporation will depend in large part on its ability to attract and retain qualified personnel, and there can be no assurances such personnel can be attracted and retained.

### **Risks Relating to Growth and Expansion**

While management believes that the Corporation has sufficient manufacturing and distribution channels to accommodate current demand for its products, any growth of the Corporation's business may strain its operational and technical resources. In the event of significant growth, there can be no assurance that the Corporation will be able to successfully meet market demand due to lack of capital.

### **Dividend Policy**

The Corporation does not intend to pay dividends in the foreseeable future as its presently intends to retain earnings for use in its business. The payment of any dividends in the future will be at the discretion of the Board of Directors and will depend upon, among other things, earnings, financial condition of the Corporation and other factors deemed relevant by the Board and obtaining the consent of the Corporation's bank.

### **Dilution**

Purchasers of Units offered hereby will incur immediate dilution, being the difference between the issue price and the net tangible consolidated book value of each Unit after giving effect to this Offering. The dilution factor for subscribers for Common Shares is calculated on the basis of total gross proceeds to the Corporation from this issue and prior sales without deduction of related expenses. If the Corporation issues treasury shares to finance its acquisitions or participations, control of the Corporation may change and subscribers may suffer additional dilution of their investment.



## **International Activities**

The Corporation's international activities can be subject to inherent risks, including foreign government regulations, rates of currency exchange, foreign currency controls and political risks. To mitigate certain of these risks, the Corporation may obtain insurance when such insurance is available on acceptable terms. Such coverage is not always available and, when available, may be subject to unilateral cancellation by the insuring companies on short notice. The Corporation's operating results may be subject to changes in the Canadian dollar/United States dollar exchange rate since most international sales are transacted in U.S. dollars.

## **Directors and Officers**

The directors and officers of the Corporation will not be devoting all of their time to the affairs of the Corporation, but will be devoting such time as required to effectively manage the Corporation. Some of the directors and officers of the Corporation are engaged and will continue to be engaged in the search for property or business prospects on their own behalf or on behalf of other corporations. See "Conflicts of Interest".

## **RISK FACTORS RELATING TO BALD EAGLE**

In addition to the foregoing risk factors relating the Corporation, the following additional risk factors arising out of the completion of the Proposed Eagle Acquisition should be considered:

### **Limited Operating History and Lack of Profitability**

Bald Eagle has a limited operating history and a lack of profitability. It has historically experienced net losses from operations. There can be no assurance that Bald Eagle will be able to achieve or sustain profitability on a quarterly or annual basis in the future. Bald Eagle's profitability must be considered in light of the significant risks, challenges and difficulties frequently encountered by companies experiencing rapid growth. To address these risks, Bald Eagle must, among other things, successfully increase the scope of its operations, respond to competitive and technological developments, continue to attract, retain and motivate qualified personnel and continue to develop and obtain market acceptance of its products. There can be no assurance that Bald Eagle will be successful in addressing these risks and challenges.

### **Working Capital and Liquidity**

Bald Eagle has previously experienced cash shortages that have forced management to raise funds from private sources for equity or debt financing. To date, Bald Eagle does not have a line of credit or other bank borrowings. There can be no assurance that additional equity or debt financing can be obtained when and if Bald Eagle experiences working capital shortages in the future. If additional funding is required, such financing may not be available upon the terms acceptable to Bald Eagle and Bald Eagle may be required to forego a substantial interest in its revenues or further dilute the equity of existing shareholders.

### **Dependence on Television Advertising Via Infomercial**

Bald Eagle intends to produce a 30-minute infomercial concerning the Bald Eagle Golf Ball. Sales of Bald Eagle's products will be highly dependent on the success of Bald Eagle's infomercial. According to the Directors of Bald Eagle, the general success rate of infomercials is estimated to be about 1 in 10. Bald Eagle is relying on the proposed infomercial to attract members to join the Bald Eagle Club

in order to implement the marketing plan discussed in this prospectus. If the infomercial is not successful, no assurance can be given that an alternative infomercial or other effective advertising strategy can be timely developed or, that if developed, such infomercial or alternative strategy will achieve any level of success. A decline in the effectiveness of Bald Eagle's marketing strategy could have a material adverse effect on Bald Eagle's business, operating results or financial condition. In addition, if the infomercial is not successful, the resulting golf ball inventories may be excessive and may not be able to be liquidated without incurring losses.

### **Lack of Endorsement Spending to Achieve Market Share**

Many golf ball manufacturers, including the leading U.S. manufacturer of premium golf balls, have focused a great deal of their marketing efforts on promoting the fact that tour professionals use their balls. Some of these golf ball competitors spend enormous amounts of money to secure professional endorsements, and the market leader has obtained a very high degree of tour penetration. Bald Eagle does not plan to engage in endorsement spending. It is uncertain to what extent use by professionals is important to the commercial success of Bald Eagle Golf Ball, but it is possible that the results of Bald Eagle's golf ball business could be significantly affected by its success or lack of success in securing acceptance on the professional tours. In order to be successful, Bald Eagle is dependent upon the marketing concepts discussed in this prospectus. If this strategy is not successful, Bald Eagle will not be able to adequately compete against the large marketing budgets of its competitors, and therefore there is no assurance that Bald Eagle will be able to compete successfully for a share of the market.

### **Highly Competitive Industry**

Competition is intense within the golf industry and in the golf ball product category in particular. Two major companies, Titleist and Spalding, dominate sales in the U.S. These two companies may control as much as 70% of the total market for golf balls and, along with the minor golf ball manufacturers, possess greater financial resources, management, name recognition, marketing, and distribution channels than Bald Eagle. Therefore, there is no assurance that Bald Eagle will be able to compete successfully for market share. Bald Eagle believes that its ability to market its products through direct response advertising is key to its ability to compete. The purchasing decisions of many golfers are often the result of highly subjective preferences, which are influenced by numerous factors, including, among others, advertising, media, promotions and product endorsements. Bald Eagle will be faced with substantial competition from existing and new competitors who successfully promote golf balls that achieve market acceptance. This competition could result in a significant price erosion or increased promotional expenditures, either of which could have a material adverse effect on Bald Eagle's business, operating results and financial condition. There can be no assurance that Bald Eagle will be able to compete successfully against current and future sources of competition or that its business, operating results or financial condition will not be adversely affected by increased competition in the markets in which it operates. Moreover, the Bald Eagle Golf Ball is a premium golf ball and there are numerous lower priced non-premium golf balls sold by others. There can be no assurance that a sufficient percentage of the public will be willing to pay premium prices for the Bald Eagle Golf Ball.

### **Patents and Protection of Proprietary Technology**

Bald Eagle's ability to compete effectively in the golf ball market will depend, in large part, on its ability to maintain the proprietary nature of its technologies and products. Bald Eagle currently holds one U.S. patent relating to its products and proprietary technologies and has three foreign patent applications pending in the European Economic Community, Australia and Canada. Assuming that timely payments of maintenance fees are made, Bald Eagle expects that the currently issued patent will not expire until September, 2014. The U.S. patent held by Bald Eagle does not preclude competitors from developing or



marketing products similar to Bald Eagle's products in international markets. The golf industry has historically been a very litigious industry and there can be no assurance as to the degree of protection afforded by these patents or as to the likelihood that patents will be issued from the pending patent applications. Moreover, these patents may have a limited commercial value or may lack a sufficient breadth to adequately protect the aspects of Bald Eagle's products to which the patents relate.

There can be no assurance that competitors, many of which have substantially greater resources than Bald Eagle and have made substantial investments in competing products, will not apply for and obtain patents that will prevent, limit or interfere with Bald Eagle's ability to make and sell its products. Bald Eagle is aware of numerous patents held by third parties that relate to products that are competitive with Bald Eagle's products. There is no assurance that these patents will not be used as a basis to challenge the validity of Bald Eagle's patent rights, to limit the scope of Bald Eagle's patent rights or to limit Bald Eagle's ability to obtain additional or broader patent rights. A successful challenge to the validity of Bald Eagle's patent may adversely affect Bald Eagle's competitive position. Moreover, there can be no assurance that such patent holders or other third parties will not claim infringement by Bald Eagle with respect to current and future products. U.S. patent applications are held and examined in secrecy, and therefore it is also possible that presently pending U.S. applications will eventually issue with claims that will be infringed by Bald Eagle's products or technologies. The defense and prosecution of patent suits is costly and time-consuming, even if the outcome is favorable. This is particularly true in foreign countries where the expenses associated with such proceedings can be prohibitive. An adverse outcome in the defense of a patent suit could subject Bald Eagle to significant liabilities to third parties, require Bald Eagle to cease selling products or require disputed rights to be licensed from third parties. Such licenses may not be available on satisfactory terms, or at all. Third parties could develop the same or similar technology or otherwise obtain access to Bald Eagle's proprietary technology.

Despite Bald Eagle's efforts to protect its patent and other intellectual property rights, unauthorized parties may attempt to copy all, or certain aspects of, Bald Eagle's products. Policing unauthorized use of Bald Eagle's intellectual property rights can be difficult and expensive, and while Bald Eagle may take appropriate action whenever it discovers any of its products or designs have been copied, knock-offs and counterfeit products are a persistent problem in the golf industry. There can be no assurance that Bald Eagle's means of protecting its patent and other intellectual property rights will be adequate.

A number of Bald Eagle's competitors have been issued patents, trademarks, copyrights or other protection of their proprietary rights and designs for golf balls. Competitors may claim that they have proprietary rights that have been infringed by Bald Eagle and/or its products. Bald Eagle will evaluate any such claims and, where appropriate, will obtain or seek to obtain licenses or other business arrangements. No assurance can be given, however, that Bald Eagle will not be adversely affected in the future by the assertion of intellectual property rights belonging to others. This effect could include alteration of existing products, withdrawal of existing products and delayed introduction of new products.

As Bald Eagle developed its new golf ball products, it attempted to avoid infringing valid patents or other intellectual property rights. Despite these attempts, it cannot be guaranteed that a competitor will not assert and/or a court will not find that Bald Eagle's new golf ball products infringe a patent or other rights of competitors. If Bald Eagle's new golf ball product is found to infringe on protected technology, there is no assurance that Bald Eagle would be able to obtain a license to use such technology, and Bald Eagle could incur substantial costs to redesign its golf ball products and/or defend legal actions.

Bald Eagle's patent has not been legally challenged since the date of issue on September 2, 1997. However, on December 7, 1999 Bald Eagle received an infringement notice from Fortune Brands, the makers of Titleist golf balls relating to the underlying dimple geometry of its ball. This notice did not

involve the use of "bald spots" or their location around the surface of the ball. Bald Eagle's underlying dimple geometry is made under a verbal and e-mailed license agreement with another manufacturer whose patent precedes the patents referred to in the infringement notice. Bald Eagle verbally responded to the notice on January 31, 1999 and rejected the claims made therein and has yet to receive a response. It is not possible to predict whether Bald Eagle will incur any liability or to estimate the damages, if any, associated with this notice. If Bald Eagle were to be found to be liable, it may have to redesign its ball geometry, create new cavities for the production mold independently test the balls for aerial performance and then recommence production. This would result in expenditures of approximately \$30,000 and would take two to three months to complete.

### **Limited Management Staff and Ability to Manage Growth**

Bald Eagle's strategy has been to outsource production, telemarketing, and account management, and to maintain staffing at a minimum. Senior management currently consists of a President & Chief Executive Officer and a Vice President & Chief Operating Officer. Presently, there is no Chief Financial Officer. Assuming that the infomercial marketing plan is successful, Bald Eagle may experience a period of rapid growth that will result in new and increased responsibilities for existing management personnel. Bald Eagle's expected growth will place a significant strain on Bald Eagle's management and operating and financial systems. To accommodate this anticipated growth and to compete effectively, Bald Eagle will be required to continue to implement and improve its operational, financial and management information systems, procedures and controls on a timely basis and to expand, train, motivate and manage its workforce. There can be no assurance that Bald Eagle's personnel, systems, procedures, controls and working capital will be adequate to support its future operations. Any failure to implement and improve Bald Eagle's operational, financial and management systems, to expand, train, motivate or manage employees or to maintain adequate working capital could have a material adverse effect on Bald Eagle's business, operating results or financial condition.

### **Dependence on Key Employees and Consultants**

The possible success of Bald Eagle is expected to be largely dependent on the ability and efforts of its management, consultants and key personnel. Bald Eagle presently has a President & Chief Executive Officer and a Vice President & Chief Operating Officer, both of whom had employment contracts with Bald Eagle until May 15, 2000 at which time these officers voluntarily terminated their contracts. Bald Eagle does not currently maintain key-man insurance on any of its executive officers.

Although, Bald Eagle has requested that Mr. Harrison, the infomercial marketing plan consultant, carry out the duties of Marketing Director it does not have a formal contract with him or his company. Bald Eagle intends to execute a formal contract with Mr. Harrison prior to making any expenditures in respect of the infomercial marketing plan discussed in this schedule.

### **Dependence on Product Introductions; Uncertain Consumer Acceptance**

Sales of golf balls are expected to account for a substantial portion of Bald Eagle's sales for the foreseeable future. If there was a decrease in demand for golf balls or if Bald Eagle was forced to sell its products at lower prices this would have a material adverse effect on Bald Eagle's business, operating results and financial condition. Accordingly, Bald Eagle's growth and success are dependent, in large part, on its ability to successfully introduce its products in the marketplace through the infomercial marketing plan discussed in this Memorandum. Historically, a large portion of new golf products have been met with consumer rejection. No assurance can be given that Bald Eagle's golf balls will receive market acceptance. Additionally, successful technologies, designs and product concepts are likely to be



copied by competitors. Accordingly, Bald Eagle's operating results could fluctuate as a result of the amount, timing and market acceptance of new product introductions by Bald Eagle or its competitors.

The design of new golf balls is also greatly influenced by the rules and interpretations of the USGA. Although the golf equipment standards established by the USGA generally apply only to competitive events sanctioned by that organization, Bald Eagle believes that it is critical for its future success that the new golf balls introduced by Bald Eagle conform with USGA standards. Although Bald Eagle's existing golf balls conform with present USGA standards, no assurance can be given that any new products will receive USGA approval or that existing USGA standards will not be altered in ways that adversely affect the sales of Bald Eagle's products.

In addition, the golf equipment industry may periodically suffer from excess inventories at the retail and wholesale level, which may have an adverse impact on Bald Eagle's sales. The introduction of new products by Bald Eagle or its competitors can result in closeouts of existing inventories at both the wholesale and retail level. Such closeouts are likely to result in reduced margins on the sale of older products, as well as reduced sales of new products, given the availability of older products at lower prices. Introduction of new products by competitors could result in obsolescence of Bald Eagle's products.

### **Dependence on Golf Industry**

The financial performance of Bald Eagle is largely dependent upon the current and anticipated market demand for golf equipment. During 1998 and 1999, the golf equipment industry experienced periods of oversupply. The golf equipment industry has experienced significant growth but demonstrated a slowdown in demand in 1998 and 1999. There can be no assurance that such growth will return and that the slowdown will not continue. A reduced rate of growth in demand for golf equipment due, for example, to competitive factors, technological change or otherwise, may materially adversely affect the markets for Bald Eagle's products. Accordingly, any factor adversely affecting the golf equipment industry may materially adversely affect Bald Eagle's business, financial condition and results of operations. There can be no assurance that Bald Eagle's net sales and results of operations will not be materially adversely affected if downturns or slowdowns in the golf equipment industry continue or occur again in the future.

### **Seasonality and Quarterly Fluctuations; Discretionary Consumer Spending**

Golf generally is regarded as a warm weather sport and sales of golf equipment historically have been strongest during the second and third quarters, with the weakest sales occurring during the fourth quarter. In addition, sales of golf balls are dependent on discretionary consumer spending, which may be affected by general economic conditions. A decrease in consumer spending generally could result in decreased spending on golf equipment, which could have a material adverse effect on Bald Eagle's business, operating results and financial condition. In addition, Bald Eagle's future results of operations could be affected by a number of other factors, such as unseasonal weather patterns, demand for and market acceptance of Bald Eagle's existing and future products, new product introductions by Bald Eagle's competitors, competitive pressures resulting in lower than expected average selling prices, and the volume of orders that are received and that can be fulfilled in a quarter. Any one or more of these factors could result in Bald Eagle failing to achieve its expectations as to future sales or net income.

Because most operating expenses are relatively fixed in the short term, Bald Eagle may be unable to adjust spending sufficiently in a timely manner to compensate for any unexpected sales shortfall, which could materially adversely affect quarterly results of operations. If technological advances by competitors or other competitive factors require Bald Eagle to invest significantly greater resources than anticipated in research and development or sales and marketing efforts, Bald Eagle's business, operating results or

financial condition could be materially adversely affected. Accordingly, Bald Eagle believes that period-to-period comparisons of its results of operations should not be relied upon as an indication of future performance. In addition, the results of any quarter are not indicative of results to be expected for a full fiscal year. As a result of fluctuating operating results or other factors discussed above and below, in certain future quarters Bald Eagle's results of operations may be below expectations.

### **Risks of Technical Problems or Product Defects**

There is no assurance, despite testing and quality assurance efforts that may be performed by Bald Eagle and its golf ball supplier, that technical problems or product defects will not be found, resulting in loss of or delay in market acceptance and sales, diversion of resources, injury to Bald Eagle's reputation or increased costs, any of which could have a material adverse effect on Bald Eagle's business. Moreover, there is no assurance that Bald Eagle will not experience difficulties that could delay or prevent the development and introduction of its products, that new or enhanced products will meet with market acceptance, or that advancements by competitors will not erode Bald Eagle's position or render Bald Eagle's products obsolete.

### **Dependence on Suppliers**

Bald Eagle relies on a small supplier located in Taiwan, to supply its golf balls. This supplier could experience shortages of raw materials, labor disruptions, quality control failures, production interruptions, political upheavals or periods of increased price pressures, which could have a material adverse effect on Bald Eagle's business, operating results or financial condition. The failure to obtain adequate golf ball inventories to fulfill customer orders on a timely basis could have a material adverse effect on Bald Eagle's business, operating results or financial condition.

Bald Eagle plans to use a national parcel delivery service for substantially all shipments of its products to its customers. Bald Eagle also plans to receive payment from its customers by utilizing the service of a major credit card company. Any interruption in their parcel delivery or credit card services could have a material adverse effect on Bald Eagle's business, operating results and financial condition.

### **Risks Associated with Mergers and Acquisitions**

Bald Eagle may merge with or acquire complementary businesses in the future. There can be no assurance that any future merger or acquisition will be completed or that, if completed, any such merger or acquisition will be effectively consummated. Mergers and acquisitions involve numerous risks, including, among others, loss of key personnel of the merged or acquired company, the difficulty associated with assimilating the personnel and operations of the merged or acquired company, the potential disruption of Bald Eagle's ongoing business, the maintenance of uniform standards, controls, procedures and policies, and the impairment of Bald Eagle's reputation and relationships with employees and customers. In addition, any future mergers or acquisitions could result in the issuance of dilutive equity securities, the incurrence of debt or contingent liabilities, and amortization expenses related to goodwill and other intangible assets, any of which could have a material adverse effect on Bald Eagle's business, operating results or financial condition.

### **Certain Risks of Conducting Business Abroad**

Bald Eagle's business is subject to the risks generally associated with doing business abroad, such as foreign government regulations, import and export control, political unrest, disruptions or delays in shipments and changes in economic conditions and exchange rates in the country in which Bald Eagle purchases its products.



## **INCOME TAX CONSIDERATIONS**

In the opinion of Bennett Jones LLP, counsel to the Corporation, the following is a general summary of the principal Canadian federal income tax considerations generally applicable to an investment in Units. This summary is based upon the current provisions of the Tax Act, the regulations thereunder (the "Regulations"), all specific proposals to amend the Tax Act and the Regulations publicly announced by the Government of Canada prior to the date hereof and counsel's understanding of the prevailing administrative views of the Canada Customs and Revenue Agency ("Revenue Canada"). This summary does not otherwise take into account any changes in law, whether by legislative, governmental or judicial action, nor does it take into account or consider any provincial, territorial or foreign income tax considerations.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor. Accordingly, all prospective investors are urged to consult their own tax advisors with respect to their particular circumstances.

This summary is applicable only to investors who, for the purposes of the Tax Act, are residents of Canada, will hold their Common Shares and Purchase Warrants as capital property, deal at arm's length with the Corporation and do not use or hold, and are not deemed to use or hold, their Common Shares and Purchase Warrants in, or in the course of, carrying on a business in Canada. This summary does not apply to investors who are financial institutions subject to the market-to-market provisions of the Tax Act or who otherwise might hold their Common Shares and Purchase Warrants as part of their inventory. Such investors should consult their own tax advisors for advice. Special rules may apply to an investor where the Corporation is a "foreign affiliate" of the investor, and this summary does not apply to any such investors.

### **Allocation of Purchase Price**

For the purposes of the Tax Act, the purchase price of each Unit must be allocated, on a reasonable basis, between the Common Share and the Purchase Warrant acquired on the acquisition of the Unit in order to determine their respective costs of the Common Share and the Purchase Warrant to the investor. Revenue Canada's administrative position is that the allocations made by the Corporation and the purchasers of the Units must be the same. The Corporation believes that it is reasonable to allocate substantially all of the purchase price of each Unit to the Common Share and a nominal amount of the purchase price of each Unit to the Purchase Warrant. However, this allocation is not binding upon Revenue Canada or the purchaser of a Unit.

The portion of the purchase price of each Unit allocated to the Common Share and to the Purchase Warrant, respectively, will become an investor's acquisition cost of the Common Share and the Purchase Warrant for income tax purposes. These amounts must be averaged with the adjusted cost base of all other Common Shares and Purchase Warrants, respectively, held by the investor as capital property to determine the adjusted cost base of all such Common Shares and Purchase Warrants to the investor.

### **Exercise of Purchase Warrants**

An investor will not realize a gain or a loss upon the exercise of a Purchase Warrant. For the purposes of the Tax Act, when a Purchase Warrant is exercised, the investor's adjusted cost base of the Common Share acquired thereby will (subject to averaging) be the aggregate of the investor's adjusted cost base of the Purchase Warrant and the exercise price paid on the exercise of the Purchase Warrant.

## **Expiry of Purchase Warrants**

The expiry of an unexercised Purchase Warrant will generally result in a capital loss to the investor equal to the adjusted cost base of the Purchase Warrant immediately prior to the expiry.

## **Disposition of Purchase Warrants or Common Shares**

In general, a disposition, or a deemed disposition, of a Purchase Warrant or a Common Share, other than to the Corporation, will give rise to a capital gain (or a capital loss) in the taxation year of the disposition equal to the amount by which the proceeds of disposition of the Purchase Warrant or Common Share, respectively, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Purchase Warrant or Common Share to the holder thereof. Generally, one-half of a capital gain will be included in an investor's income as a taxable capital gain, and one-half of a capital loss may be deducted from the investor's taxable capital gains for the year of disposition or preceding or future taxation years, subject to the limitations contained in the Tax Act. In the event there is any United States or other foreign tax imposed on any gain realized on the disposition of Common Shares or Purchase Warrants, the investor should be eligible for foreign tax credit or deduction treatment in respect of such foreign taxes against any Canadian tax payable on such gain.

## **Dividends**

Dividends received by a purchaser on the Common Shares will be included in computing the investor's income and will not be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends paid by taxable Canadian corporations. United States or other foreign withholding tax imposed on any such dividends should be eligible for foreign tax credit or deduction treatment against any Canadian tax payable on such dividends.

REGARDLESS OF INCOME TAX CONSEQUENCES, A DECISION TO PURCHASE THE UNITS SHOULD BE BASED PRIMARILY ON AN APPRAISAL OF THE MERITS OF THE INVESTMENT AS SUCH AND ON A SUBSCRIBER'S ABILITY TO BEAR ANY LOSS WHICH MAY BE INCURRED.

## **RRSP ELIGIBILITY**

In the opinion of Bennett Jones LLP, counsel for the Corporation and Taylor McCaffrey, counsel for the Agent, provided that the Common Shares are listed on a prescribed stock exchange in Canada (which currently includes the CDNX), the Common Shares will, on the date of listing of such shares, be qualified investments under the Tax Act for registered retirement savings plans, registered retirement income funds and deferred profit sharing plans within the meaning of the Tax Act.

## **MATERIAL CONTRACTS**

The Corporation has entered into the following material contracts within the two years prior to the date hereof:

1. Agency Agreement dated as of July 13, 2000 between the Corporation and Bieber Securities Inc., the agent for the Corporation's initial public offering.
2. Escrow Agreement dated as of July 17, 2000 among the Corporation, Trustee and those shareholders that executed such Escrow Agreement. See "Escrowed Securities".



3. Transfer Agency and Registrar Agreement dated July 17, 2000 between the Corporation and Trustee.
4. Stock Option Plan for the Corporation adopted and ratified effective August 21, 2000.
5. Acquisition Agreement made effective November 23, 2000 between, inter alia, the holders of the Eagle Securities, Bald Eagle and the Corporation with respect to the Proposed Eagle Acquisition.
6. Agency Agreement referred to under "Plan of Distribution".
7. Custodian Agreement dated April 9, 2001 between the Corporation, Trustee and the Agent.
8. Indenture dated April 9, 2001 between the Corporation and Trustee. See "Plan of Distribution".

Copies of these agreements will be available for inspection at the registered office of the Corporation, 700 – 330 St. Mary Avenue, Winnipeg, Manitoba R3P 4G7 and at the offices of Bennett Jones LLP at 4500, 855 – 2<sup>nd</sup> Street S.W., Calgary, Alberta, T2P 4K7 during ordinary business hours while the securities offered by this prospectus are in the course of distribution and for a period of 30 days thereafter and at any time at the offices of the Manitoba Securities Commission.

### **LEGAL MATTERS**

Certain legal matters relating to the distribution of the Units will be passed upon by Bennett Jones LLP on behalf of the Corporation. Partners and associates of Bennett Jones LLP beneficially owned, directly or indirectly, less than 1% of the outstanding Common Shares of the Corporation as at the date hereof.

### **LEGAL PROCEEDINGS**

There are no material legal proceedings against either Fairview or Bald Eagle.

### **CONFLICTS OF INTEREST**

There are potential conflicts of interest to which the directors and officers of the Corporation will be subject in connection with the operations of the Corporation and, on successful completion of the Proposed Eagle Acquisition. The directors and officers of the Corporation may be engaged in business activities on their own behalf and situations may arise where the directors and officers of the Corporation will be in direct competition with the Corporation and on successful completion of the Proposed Eagle Acquisition. The conflicts of interest will be dealt with in the manner required by the laws applicable to the Corporation and on successful completion of the Proposed Eagle Acquisition.

### **AUDITORS, REGISTRAR AND TRANSFER AGENT**

The auditors of the Corporation are BDO Dunwoody LLP, 5<sup>th</sup> Floor, 191 Broadway, Winnipeg, Manitoba R3C 3T8. The auditors of Bald Eagle are Spicer, Jeffries and Co., 4155 E. Jewell Ave., Suite 307, Denver, Colorado, 80222. Olympic Trust Company is the registrar and transfer agent of the Common Shares of the Corporation at its principal offices in the city of Calgary, Alberta.

## PROMOTERS

M. Ross Orr, Sharon L. Standen and Wesley A. Pajunen are the promoters of the Corporation in that they took the initiative in founding and organizing the Corporation. As a consequence of their role in identifying and facilitating the completion of the Proposed Eagle Acquisition, which necessitated this Offering and the reorganization of the Corporation in the manner described herein, Merchant Equities Capital Corporation and DMT Capital Corp. are also considered promoters.

## PURCHASERS' STATUTORY RIGHTS

Securities legislation in several of the provinces of Canada provide purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the applicable province. **A purchaser should refer to any applicable provisions of the securities legislation of his or her province for the particulars of these rights or consult with a legal advisor.**



## **FINANCIAL STATEMENTS**

- Financial Statements of the Corporation
- Financial Statements of Bald Eagle
- Pro Forma Financial Statements

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**BDO Dunwoody LLP**  
Chartered Accountants  
and Consultants

1500, 800 – 6 Avenue S.W.  
Calgary, Alberta Canada T2P 3G3  
Telephone: (403) 266-5608  
Fax: (403) 233-7833

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## Auditors' Report

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**To the Directors of  
Fairview Capital Corp.**

We have audited the balance sheet of Fairview Capital Corp. as at December 31, 2000 and the statements of operations and deficit and cash flows for the initial 235 day period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements presents fairly, in all material respects, the financial position of the Company as at December 31, 2000 and the results of its operations and its cash flows for the 235 day period then ended in accordance with generally accepted accounting principles.

(signed) BDO Dunwoody LLP

**Chartered Accountants**

January 11, 2001  
(except for Note 5 which is dated April 9, 2001)  
Calgary, Alberta

***BDO Dunwoody LLP is a Limited Liability Partnership registered in Ontario***

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**Fairview Capital Corp.**  
**Balance Sheet**

As at December 31

2000

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**Assets**

**Current**

Cash	\$ 1,550
Short-term investment	195,000
Accounts receivable	<u>5,376</u>
	201,926

Deferred acquisition costs (Note 3)	<u>49,326</u>
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\$ 251,252

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**Liabilities and Shareholder's Equity**

**Current**

Account payable	<u>\$ 2,000</u>
-----------------	-----------------

Share capital (Note 4)	255,220
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Deficit	<u>(5,968)</u>
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249,252

\$ 251,252

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Approved on behalf of the Board:

(signed) M. Ross Orr, Director

(signed) Wesley Pajunen, Director

The accompanying notes are an integral part of these financial statements.

**IBDO**



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**Fairview Capital Corp.**  
**Statement of Operations and Deficit**

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**For the initial 235 day period ended December 31** **2000**

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**Expenses**

General and administration \$ 8,611

**Loss from operations before other item** **(8,611)**

**Other**

Interest income 2,643

**Net loss for the period, representing deficit, end of the period** **\$ (5,968)**

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The accompanying notes are an integral part of these financial statements.

**IBDO**

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**Fairview Capital Corp.**  
**Statement of Cash Flows**

For the initial 235 day period ended December 31

2000

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**Cash flow from operating activities**

Operations

Net loss for the period

\$ (5,968)

Changes in non-cash working capital balances

Accounts payable

2,000

Accounts receivable

(5,376)

(9,344)

**Cash flow from investing activities**

Purchase of short-term investment

(195,000)

Deferred acquisition costs (Note 3)

(49,326)

(244,326)

**Cash flow from financing activity**

Issue of common shares (net of share issue costs) (Note 4)

255,220

**Increase in cash, representing cash, end of the period**

**\$ 1,550**

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The accompanying notes are an integral part of these financial statements.

**IBDO**



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**Fairview Capital Corp.**  
**Notes to Financial Statements**

December 31, 2000

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**1. Incorporation**

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Fairview Capital Corp. (the "Company") was incorporated under the Corporations Act (Manitoba) on May 10, 2000 and the Articles of Amendment issued on July 5, 2000. During the period to July 5, 2000 the Company was inactive.

The Company is classified as a Keystone Company as defined in Manitoba Securities Commission Rule 44-501, and is listed on the Canadian Venture Exchange.

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**2. Significant Accounting Policy**

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The financial statements of the Corporation have been prepared by management in accordance with generally accepted accounting principles in Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Deferred acquisition costs

Acquisition costs are recorded at cost. The Company is in the process of acquiring all of the issued and outstanding shares of another company which manufactures and markets golf balls. The related costs will be fully expensed upon completion of the acquisition.

(b) Financial instruments

The Company carries various financial instruments. Unless otherwise indicated, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair values of the Company's financial instruments approximates their carrying values unless otherwise noted.

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**3. Deferred Acquisition Costs**

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Deferred acquisition costs consist of the following:

Non-refundable deposit	\$ 25,000
Feasibility study	22,326
Professional fees	<u>2,000</u>
	<u>\$ 49,326</u>

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**Fairview Capital Corp.**  
**Notes to Financial Statements**

**December 31, 2000**

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**3. Deferred Acquisition Costs - continued**

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On September 29, 2000 the Company signed a letter of agreement whereby the Company will acquire all of the issued and outstanding shares and warrants of a company which manufactures and markets golf balls in exchange for up to 5,878,000 common shares and 2,854,000 warrants. Each warrant will entitle the holder to purchase one common share of the Company for \$0.80 per share for a period of 24 months from the date of closing the acquisition. Upon closing of the acquisition, the Company will issue 600,000 warrants ( the "Finders Fees Warrants") and \$30,000 cash as a finders fee. Each Finders Fee Warrant will entitle the holder to acquire one common share of the Company for \$0.20 per share for a period of 24 months from the date of closing of the acquisition. On December 20, 2000, the Company forwarded a non-refundable deposit in the amount of \$25,000 in conjunction with the execution of a detailed acquisition agreement dated November 23, 2000. In addition, as part of pre-acquisition procedures, the Company incurred \$22,326 to have a feasibility study completed of the acquiree. The Company plans to raise funds through a prospectus offering (see Note 5) in conjunction with the acquisition.

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**4. Share Capital**

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(a) Authorized

Unlimited number of Class A Common shares, voting  
Unlimited number of Class B Common shares, non-voting  
Unlimited number of Class C Preferred shares, voting, redeemable, retractable  
Unlimited number of Class A Preferred shares, non-voting, redeemable, retractable

	Number of Shares	Amount
(b) Issued		
Common shares		
Issued for cash	1,000,000	\$ 100,000
Issued for cash- initial public offering	1,000,000	200,000
Share issue costs	-	(44,780)
Balance at December 31, 2000	<u>2,000,000</u>	<u>\$ 255,220</u>

(c) Pursuant to the Company's stock option plan, the Company has granted options to its officers and directors to purchase an aggregate of 200,000 common shares exercisable at \$0.20 per common share. An additional non-transferable option has been granted to Bieber Securities Inc. (the "Agent") in conjunction with the initial public offering to acquire up to 100,000 shares at \$0.20 per common share. The Agent's option will, if unexercised, expire eighteen months following the date on which the common shares were listed for trading on the Canadian Venture Exchange.

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**IBDO**



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**Fairview Capital Corp.**  
**Notes to Financial Statements**

**December 31, 2000**

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**4. Share Capital - continued**

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- (d) The Company had initially issued 1,000,000 Common Shares for cash consideration of \$100,000, all of which are being held in escrow pursuant to escrow agreement dated July 17, 2000. The 1,000,000 Common Shares which were acquired by the original shareholders may not be traded, released, transferred or dealt with in any manner without the consent of the Director, Capital Markets of the Manitoba Securities Commission. Pursuant to a Final Prospectus dated September 11, 2000 meeting the criteria of a Major Transaction, the escrowed securities will be released one-third (1/3) on each of the first, second and third anniversary dates of the Major Transaction as follows:

Date	Number of shares
September 11, 2001	333,333
September 11, 2002	333,333
September 11, 2003	<u>333,334</u>
	<u>1,000,000</u>

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**5. Subsequent Event**

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- (a) Pursuant to a Prospectus dated April 9, 2001 and agency agreement dated April 9, 2001, the Company has appointed an Agent to offer for sale up to 3,750,000 Units at a price of \$0.40 per Unit for gross proceeds of \$1,500,000 on a best efforts basis. Each Unit is comprised of one Common Share and 0.50 of a share purchase warrant at no additional cost. Each whole warrant entitles the holder to receive one Common Share at a price of \$0.80 per common share during the term of the warrant. The warrant term is the earlier of 2 years, or 15 days from notice from the Company that the closing price or closing bid price of the common shares is above \$1.20 for 10 consecutive trading days.

The Agent is entitled to a cash fee of 10% of the gross proceeds and 375,000 non-transferable Agent Units (10% of warrants sold assuming fully subscribed). Each Agent Unit is comprised of an Agent Warrant to purchase a common share at \$0.40 (the Agent "A" Warrants) and one-half (1/2) of one Agent Warrant to purchase an additional common share for \$0.80 ( the Agent "B" Warrants). The warrant term will be the earlier of 2 years, or 15 days from notice from the Company that the closing price or closing bid price of the Common shares is above \$1.20 for 10 consecutive trading days. Provided the issue is fully subscribed, there would be a cash commission payable of \$150,000. In addition, the Company will pay the Agent's expenses related to offering including legal fees estimated to be \$4,000 and a sponsorship fee of \$10,000 and 150,000 Sponsorship Warrants exercisable at \$0.40 with the same term as outlined above.

- (b) Subsequent to a year end, the Agent exercised 3,000 of it's 100,000 options outstanding at \$0.20 to acquire common shares.
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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Bald Eagle Golf Company, LLC  
(formerly SP Golf Company, LLC)

We have audited the accompanying balance sheet of Bald Eagle Golf Company, LLC (formerly SP Golf Company, LLC) as of December 31, 1999 and 1998, and the related statements of operations, changes in members' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bald Eagle Golf Company, LLC (formerly SP Golf Company, LLC) as of December 31, 1999 and 1998, and the results of its operations, changes in members' equity and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 5 to the financial statements, the Company has suffered losses from operations that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in Note 5. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In the United States reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when the financial statements are affected by conditions and events that cast substantial doubt on the Company's ability to continue as a going concern, such as those described in Note 5 to the financial statements. Audit reports expressed in accordance with Canadian reporting standards do not permit a reference to such events and conditions in the Auditor's report when these are adequately disclosed in the financial statements.

(signed) SPICER, JEFFRIES & CO.

Denver, Colorado  
September 1, 2000

**BALD EAGLE GOLF COMPANY, LLC**  
(formerly SP Golf Company, LLC)

**BALANCE SHEETS**

(In US \$)

<u>ASSETS</u>	<u>November 30,</u> <u>2000</u> (Unaudited)	<u>December 31,</u> <u>1999</u> (Audited)	<u>December 31,</u> <u>1998</u> (Audited)
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ -	\$ 195	\$ 127 327
Accounts Receivable - Trade	5 403	53 020	6 918
Inventory	4 486	39 165	100 014
Subscriptions receivable	-	-	850 000
Other	250	3 570	3 771
<i>Total current assets</i>	<u>10 139</u>	<u>95 950</u>	<u>1 088 030</u>
<b>PROPERTY AND EQUIPMENT, at cost (Note 1)</b>			
Computers, software, office equipment and leasehold improvements	41 144	41 144	17 450
Marketing equipment	2 075	2 075	-
Production equipment	38 698	38 698	36 472
	81 917	81 917	53 922
Less accumulated depreciation and amortization	(47 295)	(32 915)	(15 226)
	<u>34 622</u>	<u>49 002</u>	<u>38 696</u>
<b>OTHER ASSETS:</b>			
Patent rights, net of accumulated amortization of \$5,807, \$3,982 and \$1,991	28 047	29 872	18 009
Start up cost, net of accumulated amortization of \$18,248 \$13,684, and \$9,124.	4 561	9 123	13 685
	<u>32 608</u>	<u>38 995</u>	<u>31 694</u>
	<u>\$ 77 369</u>	<u>\$ 183 947</u>	<u>\$ 1 158 420</u>
<b><u>LIABILITIES AND MEMBERS' EQUITY (DEFICIT)</u></b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable and accrued expenses	\$ 133 351	\$ 95 329	\$ 39 535
Payable to shareholders (Note 3)	114 000	23 963	52 908
<i>Total current liabilities</i>	<u>247 351</u>	<u>119 292</u>	<u>92 443</u>
<b>LONG TERM LIABILITY- Related Party Obligation (Note3)</b>	<u>328 693</u>	<u>328 693</u>	<u>347 717</u>
<b>COMMITMENTS AND CONTINGENCIES (Notes 4 and 5)</b>			
<b>MEMBERS' EQUITY (DEFICIT)- 4,796,288, 4,748,800 and 4,748,800 units outstanding (Note 3)</b>	(498 675)	(264 038)	718 260
	<u>\$ 77 369</u>	<u>\$ 183 947</u>	<u>\$ 1 158 420</u>

Approved on behalf of the Board:

(signed) John G. Sellar, Director

(signed) J. E. Askew, Director

See accompanying notes to financial statements.



**BALD EAGLE GOLF COMPANY, LLC**  
(formerly SP Golf Company, LLC)

**STATEMENTS OF OPERATIONS**

(In US \$)

	Eleven Months Ended November 30, 2000 (Unaudited)	1999 (Audited)	Year Ended December 31, 1998 (Audited)	1997 (Unaudited)
NET SALES	\$ 27 871	\$ 336 683	\$ 63 672	\$ -
COST OF GOODS SOLD	<u>20 605</u>	<u>170 190</u>	<u>47 322</u>	<u>-</u>
<i>Gross profit</i>	<u>7 266</u>	<u>166 493</u>	<u>16 350</u>	<u>-</u>
EXPENSES:				
Marketing expenses:				
Print advertising	7 518	107 189	102 845	38 816
Television/infomercial advertising	-	195 152	450	-
Player endorsements	9 498	57 978	-	-
Public relations	9 747	48 405	34 302	-
Trade shows and promotional costs	41 899	143 875	58 954	7 709
Salaries and related costs	100 179	252 510	172 920	-
Selling expenses	-	63 448	-	-
General and administrative	35 640	123 274	54 270	32 249
Occupancy expenses	10 659	30 320	5 431	-
Depreciation and amortization	20 767	24 242	17 712	8 629
Professional fees	6 763	45 975	25 843	50 680
Research and development	<u>-</u>	<u>-</u>	<u>-</u>	<u>45 783</u>
	<u>242 670</u>	<u>1 092 368</u>	<u>472 727</u>	<u>183 866</u>
<i>Operating loss</i>	(235 404)	(925 875)	(456 377)	(183 866)
OTHER INCOME (EXPENSE):				
Write down of patent rights	-	-	(330 040)	-
Interest income	-	2 899	5 507	2 200
Failed offering costs	-	(59 865)	-	-
Other	<u>(8 731)</u>	<u>543</u>	<u>14 380</u>	<u>-</u>
	<u>\$ (244 135)</u>	<u>\$ (982 298)</u>	<u>\$ (766 530)</u>	<u>\$ (181 666)</u>
NET LOSS				

See accompanying notes to financial statements.

**BALD EAGLE GOLF COMPANY, LLC**  
**(formerly SP Golf Company, LLC)**

**STATEMENTS OF CHANGES IN MEMBERS' EQUITY (DEFICIT)**

(In US \$)

	<u>Member's Units</u>	<u>Member's Equity (Deficit)</u>
<b>BALANCE, December 31, 1997</b>	2 374 400	\$ 247 546
Capital contributed, net of offering costs of \$12, 756	2 374 400	1 237 244
Net loss	<u>-</u>	<u>(766 530)</u>
<b>BALANCE, December 31, 1998</b>	4 748 800	718 260
Net loss	<u>-</u>	<u>(982 298)</u>
<b>BALANCE, December 31, 1999</b>	4 748 800	(264 038)
Member units issued for player endorsement	47 488	9 498
Net loss (unaudited)	<u>-</u>	<u>(244 135)</u>
<b>BALANCE, November 30, 2000 (unaudited)</b>	<u><u>4 796 288</u></u>	<u><u>\$ (498 675)</u></u>

See accompanying notes to financial statements.



**BALD EAGLE GOLF COMPANY, LLC**  
(formerly SP Golf Company, LLC)

**STATEMENTS OF CASH FLOWS**  
**INCREASE (DECREASE) IN CASH**

(In US \$)

	Eleven Months Ended			
	November 30,	Year Ended December 31,		
	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
	(Unaudited)	(Audited)	(Audited)	(Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net loss	\$ (244 135)	\$ (982 298)	\$ (766 530)	\$ (181 666)
Adjustments to reconcile net loss to net cash used in operating activities:				
Write down patent rights	-	-	330 040	-
Depreciation and amortization	20 767	24 242	17 712	8 629
Member units issued for player endorsement	9 498	-	-	-
Decrease (Increase) in accounts receivable - trade	47 617	(46 102)	(6 918)	-
Decrease (Increase) in inventory	34 679	60 849	(100 014)	-
Increase (Decrease) in accounts payable and accrued expenses	38 022	55 794	17 369	9 517
<i>Net cash used in operating activities</i>	<u>(93 552)</u>	<u>(887 515)</u>	<u>(508 341)</u>	<u>(163 520)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Patent rights purchased	-	(13 854)	(40)	-
Purchase of furniture and equipment	-	(27 995)	(25 738)	(28 184)
Decrease (Increase) in other assets	3 320	201	(3 771)	-
<i>Net cash provided by (used in) investing activities</i>	<u>3 320</u>	<u>(41 648)</u>	<u>(29 549)</u>	<u>(28 184)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Advance from member	90 037	(28 945)	52 909	406 333
Capital contributions, net offering costs	-	850 000	392 459	-
Payments on long term liability	-	(19 024)	(2 283)	-
<i>Net cash provided by investing activities</i>	<u>90 037</u>	<u>802 031</u>	<u>443 085</u>	<u>406 333</u>
<b>NET (INCREASE) DECREASE IN CASH</b>	<b>(195)</b>	<b>(127 132)</b>	<b>(94 805)</b>	<b>214 629</b>
<b>CASH AND CASH EQUIVALENTS, at beginning of period</b>	<u>195</u>	<u>127 327</u>	<u>222 132</u>	<u>7 503</u>
<b>CASH AND CASH EQUIVALENTS, at end of period</b>	<u><u>\$ -</u></u>	<u><u>\$ 195</u></u>	<u><u>\$ 127 327</u></u>	<u><u>\$ 222 132</u></u>
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITY:</b>				
Patent rights assigned in exchange for long term liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 350 000</u>	<u>\$ -</u>
Member units issued via subscription	<u>-</u>	<u>-</u>	<u>\$ 844 785</u>	<u>\$ 5 215</u>

See accompanying notes to financial statements.

**BALD EAGLE GOLF COMPANY, LLC**  
**(formerly SP Golf Company, LLC)**

**NOTES TO FINANCIAL STATEMENTS**

(Information as of November 30, 2000 and December 31, 1997 and the Eleven Months Ended November 30, 2000 and the Year Ended December 31, 1997 is Unaudited.)

***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

**Organization and Operations**

The Bald Eagle Golf Company, LLC (The "Company") was originally organized as SP Golf Company, LLC, a Colorado limited liability company, on November 7, 1996. The Company markets and sells these golf balls primarily in the United States with plans to expand into international markets.

In December 1996, the founding member and four additional members contributed cash of \$150,000 in exchange for a total of 2,240,000 member units. During 1997, 134,400 member units were issued to four of the members for \$269,048. In October 1998, 2,374,400 additional member units were sold to one new member for cash of \$400,000 and a subscription receivable in the amount of \$850,000. Payment on the subscription was received by the Company in 1999. In March 2000, 47,488 member units were assigned to a professional golfer for endorsement of the ball. These units were valued at \$9,498.

The Company entered into a letter agreement dated September 19, 2000 whereby the Company will be acquired by Fairview Capital Corporation ("Fairview"). The acquisition is subject to regulatory and shareholder approval and, if approved, will be accounted for as a reverse acquisition in which the Company will be the surviving entity. Fairview became a publicly traded company on the Winnipeg Stock Exchange on September 19, 2000, with equity capital of approximately \$200,000 (U.S.).

In the opinion of management all adjustments (which include only normal recurring adjustments) necessary to present fairly the balance sheet, results of operations, cash flows and changes in members' equity at November 30, 2000 and for the six months then ended have been made in the accompanying financial statements.

The 1997 financial statements have not been audited nor reviewed but have been internally prepared by management. Additionally, November 30, 1999 financial statements are not available because the Company is small and privately held, and accordingly did not keep its records on that basis.

These financial statements have been prepared under generally accepted accounting principles (GAAP) in the United States. There are no significant differences between GAAP in the United States and Canada as they relate to these financial statements.

**Cash Equivalents**

For purposes of the statement cash flows, the Company considers money market funds with maturity of three months or less to be cash equivalents.



**BALD EAGLE GOLF COMPANY, LLC**  
(formerly SP Golf Company, LLC)

**NOTES TO FINANCIAL STATEMENTS (Continued)**

(Information as of November 30, 2000 and December 31, 1997 and the Eleven Months Ended November 30, 2000 and the Year Ended December 31, 1997 is Unaudited.)

***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

**Accounts Receivable**

The Company uses the allowance method for accounting for bad debts. At December 31, 1999, management believes all receivables are collectible by the Company.

**Inventory**

Inventory consists of finished goods and is valued at the lower of cost or market on a first-in, first-out method.

**Property and Equipment**

Property and equipment are stated at cost. Depreciation is computed using an accelerated method over useful lives ranging from 3 to 7 years. An accelerated method of computing depreciation assumes that productivity of the equipment will be relatively greater during the earlier years of its life. Leasehold improvements are being amortized on a straight line basis over the estimated life of lease.

**Impairment of Long-Lived Assets**

The Company reviews its long-lived assets for impairment to determine if the carrying amount of the asset is recoverable.

**Other Assets**

Organization costs are being amortized on a straight-line basis over five years. Costs for patents and patent applications are being amortized on a straight-line basis over the life of the patent, seventeen years (see Note 3).

**Income Taxes**

The Company is a limited liability company and is taxed as a partnership for federal and state income tax purposes. Under those provisions, the Company does not pay federal or state corporate income taxes on its income. Instead, the shareholders include their respective share of the Company's taxable income or loss on their individual income tax return.

**BALD EAGLE GOLF COMPANY, LLC**  
**(formerly SP Golf Company, LLC)**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

(Information as of November 30, 2000 and December 31, 1997 and the Eleven Months Ended November 30, 2000 and the Year Ended December 31, 1997 is Unaudited.)

***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)***

***Use of Estimates***

The preparation of financial statements in conformity with Canadian generally accepted principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Fair Value of Financial Instruments***

The carrying amount of cash, accounts receivable, accounts payable, notes payable and other liabilities approximate fair value.

***NOTE 2 - SUPPLIER***

The Company relies on a single manufacturer located in Taiwan for its golf balls. However, the Company owns the production cavities and management believes it could obtain similar pricing and terms from other suppliers.

***NOTE 3 - MEMBERS' EQUITY AND RELATED PARTY TRANSACTIONS***

The founding Member of the Company contributed patent rights in exchange for a promise to pay \$350,000 to the Member. Payments against the obligation are based on 5% of gross income from ball sales and license fees. This obligation is unsecured, non interest bearing and has no due date. Subsequently the patent right and patent applications were written down to predecessor cost plus actual costs incurred, due to the fact that realization of the asset is uncertain at this time.

At December 31, 1999, an additional \$23,963 was due to another Member for expenditures made on behalf of the Company. The Member was reimbursed in 2000. During the period ended November 30, 2000 the Company received advances from Members in the amount of \$114,000. These advances are unsecured, non interest bearing and have no due date.

Certain members hold warrants to purchase 2,854,000 membership shares which expire in 2003. The exercise price increases incrementally over the remaining term from \$.55 per membership share to \$.6317 per membership share.



**BALD EAGLE GOLF COMPANY, LLC**  
**(formerly SP Golf Company, LLC)**

**NOTES TO FINANCIAL STATEMENTS (Concluded)**

(Information as of November 30, 2000 and December 31, 1997 and the Eleven Months Ended November 30, 2000 and the Year Ended December 31, 1997 is Unaudited.)

**NOTE 4 - COMMITMENTS AND SUBSEQUENT EVENT**

The Company leases office space and equipment from unrelated parties under operating leases.

At December 31, 1999, aggregate minimum future rental commitments under these leases with initial or remaining terms in excess of one year are as follows:

<u>Fiscal Year</u>	<u>Amount</u> <u>(In US \$)</u>
2000	\$ 16 379
2001	16 379
Total minimum lease payments	<u>\$ 32 758</u>

Total rental expense of \$19,259 and \$1,985, including the noncancellable leases referred to above, was charged to operations during the years ended December 31, 1999 and 1998, respectively.

Subsequent to year end the Company was able to terminate all operating leases upon the payment of two months rent and forfeiture of the lease deposit.

**NOTE 5 - CONTINGENCY**

The Company has suffered recurring losses from operations and has inadequate capital that raise substantial doubt about its ability to continue as a going concern. The continuation of the Company as a going concern is dependent upon the Company attaining and maintaining profitable operations and raising additional capital. Management is currently investigating sources of short and long term capital to meet its operating costs. The financial statements do not include any adjustments relating to the recovery and classification of recorded asset amounts or the amount and classification of liabilities that might be necessary should the Company discontinue operations.

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**BDO Dunwoody LLP**  
Chartered Accountants  
and Consultants

1500, 800 – 6 Avenue S.W.  
Calgary, Alberta Canada T2P 3G3  
Telephone: (403) 266-5608  
Fax: (403) 233-7833

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## COMPILATION REPORT

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To the Directors of  
Fairview Capital Corp. ("Fairview") and Bald Eagle Golf Company, LLC. ("Bald Eagle")  
(collectively hereafter referred to as "New Fairview")

We have reviewed, as to compilation only, the accompanying pro forma consolidated balance sheet and income statement of New Fairview as at the interim period ended November 30, 2000. These pro forma consolidated financial statements have been prepared for inclusion in the Prospectus and Information Circular relating to the offer for the acquisition by Fairview of 100% of the shares of Bald Eagle, and for inclusion in the concurrent financing related thereto. In our opinion, these pro forma consolidated financial statements have been properly compiled to give effect to the proposed transactions and the assumptions described in the notes thereto.

(signed) BDO Dunwoody LLP

**Chartered Accountants**

Calgary, Alberta  
April 9, 2001

***BDO Dunwoody LLP is a Limited Liability Partnership registered in Ontario***

# New Fairview Pro Forma Consolidated Balance Sheet (Unaudited - See Compilation Report)

As at November 30, 2000

	Fairview as at December 31, 2000	Bald Eagle as at November 30, 2000	Pro Forma Adjustments	Notes	New Fairview Pro Forma
<b>Assets</b>					
<b>Current</b>					
Cash	\$ 1,550	\$ -	600	5(b)	
			1,350,000	5(d)	\$ 1,352,150
Short-term investment	195,000				195,000
Accounts receivable	5,376	8,338			13,714
Inventory and other	-	7,309			7,309
	<u>201,926</u>	<u>15,647</u>			<u>1,568,173</u>
<b>Fixed assets</b>	-	53,432			53,432
<b>Deferred acquisition costs</b>	49,326	-	(49,326)	5(c)	-
<b>Patent rights</b>	-	43,285			43,285
<b>Start-up costs</b>	-	7,039			7,039
	<u>\$ 251,252</u>	<u>\$ 119,403</u>			<u>\$ 1,671,929</u>
<b>Liabilities and Shareholders' Equity</b>					
<b>Current</b>					
Accounts payable and accrued liabilities	\$ 2,000	\$ 205,802	(51,470)		156,332
Due to shareholders	-	175,936	(175,936)	5(a)	-
	<u>2,000</u>	<u>381,738</u>			<u>156,332</u>
<b>Royalty payable</b>	-	507,270			507,270
<b>Share capital</b>	255,220	2,586,500	227,406	5(a)	
			600	5(b)	
			1,350,000	5(d)	
			(255,220)	5(c)	
			249,252	5(c)	
			(49,326)	5(c)	4,364,432
<b>Deficit</b>	(5,968)	(3,356,105)	5,968	5(c)	(3,356,105)
	<u>249,252</u>	<u>(769,605)</u>			<u>1,008,327</u>
	<u>\$ 251,252</u>	<u>\$ 119,403</u>			<u>\$ 1,671,929</u>

Approved on behalf of the Board:

(signed) M. Ross Orr, Director

(signed) Wesley Pajunen, Director

The accompanying notes are an integral part of these pro-forma financial statements

**IBDO**



**New Fairview Pro Forma Consolidated Income Statement**  
**(Unaudited - See Compilation Report)**

**For the period ended November 30, 2000**

	Fairview as at December 31, 2000	Bald Eagle as at November 30, 2000	Pro Forma Adjustments	Notes	New Fairview Pro Forma
<b>Revenue</b>	\$ -	\$ 43,013			\$ 43,013
<b>Cost of sales</b>	-	31,800			31,800
<b>Gross Margin</b>	-	11,213			11,213
<b>Expenses</b>					
General and administrative	8,611	374,513			383,124
<b>Loss before the under noted</b>	(8,611)	(363,300)			(371,911)
Other	-	(8,703)			(8,703)
Interest income (expense)	2,643	(4,772)			(2,129)
	2,643	(13,475)			(10,832)
<b>Net loss for the period</b>	\$ (5,968)	\$ (376,775)			\$ (382,743)

The accompanying notes are an integral part of these pro-forma financial statements

**IBDO**

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## New Fairview Notes to Pro Forma Consolidated Balance Sheet (Unaudited - See Compilation Report)

As at November 30, 2000

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### 1. Basis of Presentation

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These unaudited pro forma financial statements have been prepared from the audited initial 235 day period ended December 31, 2000 financial statements of Fairview and the unaudited eleven month interim period ended financial statements of Bald Eagle. These pro forma financial statements should be read in conjunction with the financial statements of Fairview and Bald Eagle including the notes thereto and other information accompanying the Prospectus and Information Circular.

These pro forma consolidated financial statements gives effect to the proposed acquisition of Bald Eagle by Fairview with Bald Eagle being the deemed acquirer via reverse take-over as detailed in their acquisition agreement dated November 23, 2000. The audited financial statements of Fairview as at December 31, 2000 used were not adjusted as there were no material transactions in Fairview for the period December 1, 2000 to December 31, 2000.

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### 2. Pro Forma Transactions

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The pro forma balance sheet gives effect to the following proposed transactions:

- (a) To give effect to the issuance of 1,081,712 shares in exchange for repayment of \$175,936 in shareholders' loans and \$51,470 in accounts payable. Pursuant to the Acquisition Agreement dated November 23, 2000 (Note 3), the liabilities of Bald Eagle may not exceed US\$100,000 at the close of the transaction.
  - (b) The exercise of 3,000 options at \$0.20 per share
  - (c) Pursuant to the Acquisition Agreement, Fairview will issue 5,878,000 shares to the shareholders of Bald Eagle. The share for share exchange is to be recorded at \$249,252, being the net identifiable assets of Fairview (Note 3).
  - (d) To give effect to an offer for sale of 3,750,000 Units by Fairview at \$0.40 per Unit on a best efforts basis, assuming all of Units are purchased, for net proceeds of \$1,350,000 after agent's fees of 10%.
  - (e) For the purposes of these pro forma financial statements, the financial statements of Bald Eagle have been translated using foreign exchange rates as at November 30, 2000.
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### 3. Business Combination

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For the purposes of this pro forma, the acquisition has been accounted for by the purchase method, with Bald Eagle being the deemed acquirer via a reverse take-over, based on the carrying values of the assets or liabilities of Fairview as follows:

Current assets, including cash of \$1,550	\$ 201,926
Current liabilities	(2,000)
Deferred acquisition costs	<u>49,326</u>
Net identifiable assets acquired, attributed to shares issued	\$ 249,252

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**New Fairview Notes to Pro Forma Consolidated Balance Sheet  
(Unaudited - See Compilation Report)**

**As at November 30, 2000**

**4. Share Capital**

(a) Authorized

Unlimited number of common voting shares.

(b) Subsequent to the proposed transactions, New Fairview will have issued and outstanding:

<b>Common voting shares</b>	<u><b>Number</b></u>	<u><b>Amount</b></u>
<b>Issued and outstanding as at November 30, 2000 for Bald Eagle</b>	4,796,288	\$ 2,586,500
To be issued upon conversion of debt (5(a))	1,081,712	227,406
To be issued upon exercise of options	3,000	600
To be issued upon acquisition of Fairview (Note 3)	2,000,000	249,252
Less: acquisition costs		(49,326)
<b>Units offering</b>		
To be issued in pursuant to offering (5(c))	<u>3,750,000</u>	<u>1,350,000</u>
<b>Balance, pro forma, subsequent to giving effect to the transactions contemplated</b>	<u><b>11,631,000</b></u>	<u><b>\$ 4,364,432</b></u>

**5. Pro Forma Adjustments**

The following pro forma adjustments have been recorded in the pro forma financial statements based on the pro forma assumptions and accounting for the acquisition as described in Note 3.

- (a) To record the issuance of 1,081,712 shares in exchange for repayment of \$227,406 of shareholders' loans and accounts payable.
- (b) To record the issuance of 3,000 shares at \$0.20 upon the exercise of options.
- (c) To record the issue of 5,878,000 shares of the Fairview at a value of \$249,252 for the acquisition of Bald Eagle whereby Bald Eagle is the deemed acquirer via a reverse take-over. Deferred acquisition costs have been charged to the cost of purchase.
- (d) To record offering of 3,750,000 Units at a price of \$0.40 per Unit for net proceeds of \$1,350,000 after agent's fees.

## **CERTIFICATE OF THE CORPORATION**

April 9, 2001

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 8 of the *Securities Act* (Alberta), Part XI of *The Securities Act, 1988* (Saskatchewan) and by Part VII of the *Securities Act* (Manitoba), and the respective regulations thereunder.

(Signed) M. Ross Orr  
Chief Executive Officer and  
Chief Financial Officer

On behalf of the Board of Directors

(Signed) Sharon Standen  
Director

(Signed) Wesley Pajunen  
Director

## **CERTIFICATE OF THE PROMOTERS**

April 9, 2001

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 8 of the *Securities Act* (Alberta), Part XI of *The Securities Act, 1988* (Saskatchewan) and by Part VII of the *Securities Act* (Manitoba), and the respective regulations thereunder.

(Signed) M. Ross Orr

(Signed) Sharon Standen

(Signed) Wesley Pajunen

MERCHANT EQUITIES CAPITAL CORP.

DMT CAPITAL CORP.

By: (Signed) Eric Leslie

By: (Signed) David Thom



## **CERTIFICATE OF THE AGENT**

April 9, 2001

To the best of the knowledge and belief of the undersigned, he foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 8 of the *Securities Act* (Alberta), Part XI of *The Securities Act, 1988* (Saskatchewan) and by Part VII of the *Securities Act* (Manitoba), and the respective regulations thereunder.

### **BIEBER SECURITIES INC.**

(Signed) Guy Bieber  
Chief Executive Officer

The following includes the names of every person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of Bieber Securities Inc.: 3396712 Manitoba Ltd. and GNB Investment Holding Ltd.

